



August 10, 2020

Via Electronic Mail

Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F. Street, N.E.
Washington, D.C. 20549-1090

Re: File No. SR-BOX-2020-14

Dear Ms. Countryman:

BOX Exchange LLC filed Amendment No. 1 to the above-referenced filing on July 31, 2020 to amend and supersede the original filing in its entirety. The Exchange proposes an amendment to SR-BOX-2020-14 to address certain additional comments received from Commission staff as well as to address the comment letter received on the proposal.¹ The primary changes to the proposal set forth in amendments are to: (i) eliminate the proposed use of T+1 as the standard settlement cycle for trades occurring on BSTX, meaning that trades will now settle “regular way” on a T+2 basis; (ii) provide additional clarifying guidance with respect to certain aspects of the proposal; and (3) change the name of BSTX-listed securities from “security tokens” to “Securities.”

The enclosed includes the entire Amendment No. 1 to the above-referenced filing on July 31, 2020.

Sincerely,

A handwritten signature in black ink that reads "Lisa J. Fall". The signature is written in a cursive style with a large initial "L".

Lisa J. Fall
President
BOX Exchange LLC

Encl. (Amendment No. 1 to SR-BOX-2020-14)

¹ Letter from Ellen Greene, Managing Director, Equities & Options Market Structure, Securities Industry and Financial Markets Association (“SIFMA”) and Thomas F. Price, Managing Director Operations, Technology, Cyber & BCP, SIFMA, to Vanessa Countryman, Secretary, Commission (June 23, 2020) (“SIFMA June Letter”), <https://www.sec.gov/comments/sr-box-2020-14/srbox202014-7340739-218667.pdf>.

Required fields are shown with yellow backgrounds and asterisks.

Filing by BOX Exchange LLC.
 Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

<input type="checkbox"/> Initial *	<input checked="" type="checkbox"/> Amendment *	<input type="checkbox"/> Withdrawal	<input checked="" type="checkbox"/> Section 19(b)(2) *	<input type="checkbox"/> Section 19(b)(3)(A) *	<input type="checkbox"/> Section 19(b)(3)(B) *
			Rule		
<input type="checkbox"/> Pilot	<input type="checkbox"/> Extension of Time Period for Commission Action *	<input type="text" value=""/> Date Expires *	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 <input type="checkbox"/> Section 806(e)(1) * <input type="checkbox"/> Section 806(e)(2) *	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 <input type="checkbox"/> Section 3C(b)(2) *
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Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Last Name *
 Title *
 E-mail *
 Telephone * Fax

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)

Date

By

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information *

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 19b-4

Proposed Rule Change
by

BOX EXCHANGE LLC

Pursuant to Rule 19b-4 under the
Securities Exchange Act of 1934

Item 1. Text of the Proposed Rule Change

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 as amended (“Exchange Act”),¹ BOX Exchange LLC (“BOX or the “Exchange”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to adopt rules to govern the trading of equity securities on the Exchange through a facility of the Exchange known as Boston Security Token Exchange LLC (“BSTX”). As described more fully below, BSTX would operate a fully automated, price/time priority execution system for the trading of “Securities,” which would be equity securities that meet BSTX listing standards and for which ancillary records of ownership would be able to be created and maintained using distributed ledger (or “blockchain”) technology. The proposed additions to the Exchange’s Rules setting forth new Rule Series 17000 – 28000 are included as Exhibit 5A. All text set forth in Exhibit 5A would be added to the Exchange’s rules and therefore underlining of the text is omitted to improve readability. Forms proposed to be used in connection with the proposed rule change, such as the application to become a BSTX Participant, are included as Exhibits 3A through 3N.

In addition, the Exchange proposes to make certain amendments to several existing BOX Rules to facilitate trading on BSTX. The proposed changes to the existing BOX Rules would not change the core purpose of the subject Rules or the functionality of other BOX trading systems and facilities. Specifically, the Exchange is seeking to amend BOX Rules 100, 2020, 2060, 3180, 7130, 7150, 7230, 7245, IM-8050-3, 11010, 11030, 12030, and 12140. These proposed changes are set forth in Exhibit 5B. Material proposed to be added to the Rule as currently in effect is underlined and material proposed to be deleted is bracketed.

¹ 15 U.S.C. 78s(b)(1).

All capitalized terms not defined herein have the same meaning as set forth in the Exchange's Rules.²

Item 2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by officers of the Exchange pursuant to authority delegated by the Exchange Board or Directors ("Board"). No further action is necessary for the filing of the proposed rule change.

Questions should be addressed to Lisa J. Fall, President at (617) 235-2235.

Item 3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

The Exchange is proposing to adopt a series of rules to govern the trading of equity securities through a facility of the Exchange known as BSTX and make certain amendments to the existing BOX rules to facilitate trading on BSTX.³ As described more fully below, BSTX

² The Exchange's Rules can be found on the Exchange's public website: <https://boxoptions.com/regulatory/rulebook-filings/>.

³ The Exchange notes that the proposed rule change was previously filed with the Commission as SR-BOX-2019-19, Exchange Act Release No. 87287 (Oct. 11, 2019), 84 FR 56002 (October 18, 2019) and was amended twice. See Exchange Act Release No. 88634 (Apr. 14, 2020), 85 FR 21906 (Apr. 20, 2020). This proposal (SR-BOX-2020-14) is substantively identical to SR-BOX-2019-19, as amended. The Exchange proposes an amendment to SR-BOX-2020-14 to address certain additional comments received from Commission staff as well as to address the comment letter received on the proposal. See Letter from Ellen Greene, Managing Director, Equities & Options Market Structure, Securities Industry and Financial Markets Association ("SIFMA") and Thomas F. Price, Managing Director Operations, Technology, Cyber & BCP, SIFMA, to Vanessa Countryman, Secretary, Commission (June 23, 2020) ("SIFMA June Letter"), <https://www.sec.gov/comments/sr-box-2020-14/srbox202014-7340739-218667.pdf>. The primary changes to the proposal set forth in this amendment are to: (i) eliminate the proposed use of T+1 as the standard settlement cycle for trades occurring on BSTX, meaning that trades will now settle "regular way" on a T+2 basis; (ii) provide additional clarifying guidance with respect to certain aspects of the proposal; and (3) change the name of BSTX-listed securities from

would operate a fully automated, price/time priority execution system (“BSTX System”) for the trading of securities that will be considered “Securities” under the proposed rules. The “Securities”⁴ under the proposed rules would be equity securities that meet BSTX listing standards, and that trade on the BSTX System, and for which ancillary records of ownership would be able to be created and maintained using distributed ledger technology. These ancillary records of ownership that would be maintained using distributed ledger technology would not be official records of Security ownership. Instead, as described further herein, such records would be ancillary records that would reflect certain end-of-day Security position balance information as reported by market participants. All BOX Participants would be eligible to participate in BSTX provided that they become a BSTX Participant pursuant to the proposed rules. Under the proposed rules, BSTX would serve as the listing market for eligible companies that wish to issue their registered securities as Securities. Securities would trade as NMS stock.⁵ The Exchange is not proposing rules that would support its extension of unlisted trading privileges to other NMS stock, and accordingly the Exchange does not intend to extend any such unlisted trading privileges in connection with this proposal. The Exchange would therefore only trade Securities listed on BSTX unless and until it proposes and receives Commission approval for rules that

“security tokens” to “Securities.”

⁴ As discussed further below, BSTX proposes to use the term “Security” to refer to BSTX-listed securities to distinguish them from other securities that are not designed to use blockchain technology as an ancillary recordkeeping mechanism. Given that an investor seeking to obtain a Security would go through the normal channels of investing as he would for other NMS stock (e.g., through his or her broker) rather than the process for obtaining a blockchain-native asset by accessing a cryptocurrency exchange and/or a hardware wallet, there appears to be little opportunity for confusion. Even if some form of confusion occurred regarding whether an asset was an uncertificated security held at DTC versus a blockchain-native asset, such confusion would not be meaningful since an investor would receive equity rights in the listing company in either case.

⁵ 17 CFR 242.600(b)(48).

would support trading in other types of securities, including through any extension of unlisted trading privileges to other NMS stock. A guide to the structure of the proposed rule change is described immediately below.

I. *Guide to the Scope of the Proposed Rule Change*

The proposal for trading of securities that will be “Securities” (under the BSTX Rules, as defined below) through BSTX generally involves changes to existing BOX Rules and new BOX Rules pertaining specifically to BSTX (“BSTX Rules”). In addition, BSTX corporate governance documents as well as certain discrete changes to existing BOX corporate governance documents are necessary, which the Exchange has submitted to the Commission through separate proposed rule changes. To support the trading of Securities through BSTX, certain conforming changes are proposed to existing BOX Rules and entirely new BSTX Rules are also proposed as Rule Series 17000 through 28000.⁶ Each of those new Rule Series and the provisions thereunder are described in greater detail below. Where the BSTX Rules are based on existing rules of another national securities exchange, the source rule from the relevant exchange is noted along with a discussion of notable differences between the source rule and the proposed BSTX Rule. The proposed BSTX Rules are addressed in Part III below and they generally cover the following areas:

- Section 17000 – General Provisions of BSTX;
- Section 18000 – Participation on BSTX;
- Section 19000 – Business Conduct for BSTX Participants;
- Section 20000 – Financial and Operational Rules for BSTX Participants;

⁶ The proposed changes to BOX Rules and the proposed BSTX Rules are attached as Exhibits 5B and 5A, respectively.

- Section 21000 – Supervision;
- Section 22000 – Miscellaneous Provisions;
- Section 23000 – Trading Practice Rules;
- Section 24000 – Discipline and Summary Suspension;
- Section 25000 – Trading Rules;
- Section 25200 – Market Making on BSTX;
- Section 26000 – BSTX Listing Rules;
- Section 27000 – Suspension and Delisting;
- Section 27100 – Guide to Filing Requirements;
- Section 27200 – Procedures for Review of Exchange Listing Determinations; and
- Section 28000 – Dues, Fees, Assessments and Other Charges.

II. *Overview of BSTX and Considerations Related to the Listing, Trading and Clearance and Settlement of Securities*

A. The Joint Venture and Ownership of BSTX

On June 19, 2018, t0.com Inc. (“tZERO”) and BOX Digital Markets LLC (“BOX Digital”) announced a joint venture to facilitate the trading of Securities on the Exchange.⁷ As part of the joint venture, BOX Digital, which is a subsidiary of BOX Holdings Group LLC, and tZERO each own 50% of the voting class of equity and over 45% economic interest of BSTX LLC. Pursuant to the BSTX LLC Agreement, BOX Digital and tZERO will perform certain specified functions with respect to the operation of BSTX. As noted, these details, as well as the proposed governance structure of the joint venture and accompanying changes to the Exchange’s

⁷ See tZERO and BOX Digital Markets Sign Deal to Create Joint Venture, Business Wire (June 19, 2018), available at <https://www.businesswire.com/news/home/20180619005897/en/tZERO-BOX-Digital-Markets-Sign-Deal-Create>.

current governance documents and bylaws, will be the subject of a separate proposed rule change that the Exchange plans to submit to the Commission.

B. BSTX Is a Facility of BOX That Would Support Trading in the New Asset Class of Securities for BOX

BSTX would operate as a facility⁸ of BOX, which is a national securities exchange registered with the SEC. As a facility of BOX, BSTX's operations would be subject to applicable requirements in Sections 6 and 19 of the Exchange Act, among other applicable rules and regulations.⁹ Currently, BOX functions as an exchange only for standardized options. While BSTX may eventually support a wider variety of securities, subject to Commission approval, at the time that BSTX commences operations it would only support trading in Securities that are equity securities. Accordingly, this represents a new asset class for BOX, and this proposal sets forth the changes and additions to the Exchange's rules to support the trading of equity securities as Securities on BSTX.

The Exchange proposes to use the term "Security"¹⁰ to describe the BSTX-listed securities that would use blockchain technology as an ancillary recordkeeping mechanism, as described in further detail below. However, ownership of securities that are Securities under the BSTX rules would still be able to be transferred without regard to the blockchain-based ancillary

⁸ 15 U.S.C. 78c(a)(2). Section 3(a)(2) of the Exchange Act, provides that "the term 'facility' when used with respect to an exchange includes its premises, tangible or intangible property whether on the premises or not, any right to the use of such premises or property or any service thereof for the purpose of effecting or reporting a transaction on an exchange (including, among other things, any system of communication to or from the exchange, by ticker or otherwise, maintained by or with the consent of the exchange), and any right of the exchange to the use of any property or service." Because BSTX will share certain systems of the Exchange, BSTX is a facility of the Exchange.

⁹ 15 U.S.C. 78f; 15 U.S.C. 78s.

¹⁰ The Exchange proposes to define the term "Security" to mean NMS stock, as defined in Rule 600(b)(47) of the Exchange Act, trading on the BSTX System and for which ancillary Ethereum blockchain records are maintained under the BSTX Rules. See proposed Rule 17000(a)(30).

recordkeeping functionality (as also described further below). Notwithstanding this, the Exchange believes that it is appropriate to use the term “Securities” to distinguish them from other securities for which there is no related legal and regulatory structure that is designed to use blockchain technology as an ancillary recordkeeping mechanism and as a way of indicating the additional proposed obligations of BSTX Participants trading Securities to obtain a wallet address and report end-of-day Security balances to BSTX.¹¹ The legal significance, therefore, of a “Security” is that it will be an equity security that is approved for listing on BSTX, and that trades on the BSTX System, and for which BSTX Participants are therefore required under BSTX Rule 17020 to obtain a whitelisted wallet address and report certain end-of-day Security position balance information to BSTX. A security that is offered by an issuer with the intent of it becoming listed on BSTX would therefore not become a “Security” under the proposed BSTX Rules unless and until it actually does become listed on BSTX and trades on the BSTX System. The Exchange believes that the obligations on a BSTX Participant under the proposal to obtain a wallet address and to report certain end-of-day Security position balance information to BSTX are the only legal rights or obligations associated with Securities that would differ from how NMS stock is generally traded by market participants today.¹²

C. Securities Would Be NMS Stocks

The Securities would qualify as NMS stocks pursuant to Regulation NMS,¹³ which defines the term “NMS security” in relevant part to mean “any security or class of securities for which transaction reports are collected, processed and made available pursuant to an effective

¹¹ See Part II, Sections G and J for further description of these obligations.

¹² The Exchange notes that its proposed Rule 17000(a)(30) defines “Security” to mean an “NMS stock, as defined in Rule 600(b)(47) of the Exchange Act, trading on the BSTX System and for which ancillary Ethereum blockchain records are maintained. . .”

¹³ 17 CFR 242.600 through 613.

transaction reporting plan”¹⁴ The Exchange plans to join existing transaction reporting plans, as discussed in Part VIII below, for the purposes of Security quotation and transaction reporting.¹⁵ The term “NMS stock” means “any NMS security other than an option”¹⁶ and therefore Securities traded on BSTX that represent equity securities will be classified as NMS stock.

Securities would meet the definition of NMS stocks and would trade, clear, and settle in the same manner as all other NMS stocks traded today. The Exchange will also collect ancillary records related to Securities, as discussed herein. In this way, Securities are entirely compatible with the existing NMS structure, with one additional reporting and recordkeeping component specific to BSTX Participants.¹⁷ As described in further detail below, the ancillary recordkeeping process would in no way modify or alter market participants’ obligations under

¹⁴ 17 CFR 242.600(b)(47).

¹⁵ 17 CFR 242.601(a)(1). The Rule states in relevant part that “every national securities exchange shall file [with the SEC] a transaction reporting plan regarding transactions in listed equity and Nasdaq securities executed through its facilities”

¹⁶ 17 CFR 242.600(b)(47).

¹⁷ The SIFMA June Letter stated primarily that SIFMA believed that the Exchange had not fully addressed the concerns SIFMA raised in an earlier comment submitted to SR-BOX-2019-19 in April 2020, though SIFMA only noted a single specific example regarding the proposed use of T+1 settlement rather than T+2 settlement. See Letter from Ellen Greene, Managing Director, Equities & Options Market Structure, SIFMA and Thomas F. Price, Managing Director Operations, Technology, Cyber & BCP, SIFMA, to Vanessa Countryman, Secretary, Commission, re: SR-BOX-2019-19 (Apr. 22, 2020) (“SIFMA April Letter”) <https://www.sec.gov/comments/sr-box-2019-19/srbox201919-7105488-215831.pdf>. The Exchange responded to the SIFMA April Letter on April 27, 2020. See Letter from Lisa Fall, president, BOX Exchange LLC to Vanessa Countryman, Secretary, Commission re: SR-BOX-2019-19 (Apr. 27, 2020), <https://www.sec.gov/comments/sr-box-2019-19/srbox201919-7105488-215831.pdf>. The Exchange proposes to eliminate T+1 settlement in this amendment and instead expects that trades would clear through NSCC using T+2 settlement as is the case today on the other equities exchanges for confirmed trades in NMS stock. The Exchange has endeavored to address other concerns raised in the SIFMA April Letter through this amendment 1.

Regulation NMS.

D. BSTX Would Support Trading of Registered Securities

All Securities traded on BSTX would generally be required to be registered with the Commission under both Section 12 of the Exchange Act¹⁸ and Section 6 of the Securities Act of 1933 (“Securities Act”).¹⁹ BSTX would not support trading of Securities offered under an exemption from registration for public offerings, with the exception of certain offerings under Regulation A that meet the proposed BSTX listing standards.

E. Clearance and Settlement of Securities

BSTX would maintain certain rules, as described below, to address custody, clearance and settlement in connection with Securities. All transactions in Securities would clear and settle in accordance with the rules, policies and procedures of registered clearing agencies. Specifically, BSTX anticipates that at the time it commences operations, Securities that are listed and traded on BSTX would be securities that have been made eligible for services by The Depository Trust Company (“DTC”) and that DTC would serve as the securities depository²⁰ for such Securities. It is also expected that confirmed trades in Securities on BSTX would be transmitted to National Securities Clearing Corporation (“NSCC”) for clearing such that NSCC would clear the trades through its systems to produce settlement obligations that would be due

¹⁸ 15 U.S.C. 78l.

¹⁹ 15 U.S.C. 77f.

²⁰ 15 U.S.C. 78c(a)(23)(A). Section 3(a)(23)(A) of the Exchange Act defines the term “clearing agency” to include “any person, such as a securities depository, who (i) acts as a custodian of securities in connection with a system for the handling of securities whereby all securities of a particular class or series of any issuer deposited within the system are treated as fungible and may be transferred, loaned, or pledged by bookkeeping entry without physical delivery of securities certificates, or (ii) otherwise permits or facilitates the settlement of securities transactions or the hypothecation or lending of securities without physical delivery of securities certificates.”

for settlement between participants at DTC. BSTX believes that this custody, clearance and settlement structure is the same general structure that exists today for other exchange traded equity securities. Importantly, for purposes of NSCC's clearing activities and DTC's settlement activities in respect of the Securities, the relevant securities will be cleared and settled by NSCC and DTC in exactly the same manner as those activities are performed by NSCC and DTC currently regarding a class of NMS Stock.²¹ This is because the ancillary recordkeeping process that will be implemented through the operation of the proposed BSTX Rules will occur separate and apart from the clearance and settlement process and the security itself will not exist in tokenized form. Rather, the security will be an ordinary equity security for NSCC's and DTC's purposes. The tokenized feature in connection with the security that will be implemented through the operation of BSTX's Rules is that there will also be a separate, ancillary recordkeeping process that will use distributed ledger technology to record BSTX Participant end-of-day position balance information for the relevant security.

1. Issuance of Equity Securities Eligible to Become a Security

With the exception of certain offerings under Regulation A that meet the proposed BSTX

²¹ In the SIFMA April Comment Letter, the Exchange believes SIFMA mischaracterized the Proposal as "encouraging the adoption of [distributed ledger] technology with the likely eventual goal of having it become a system for tracking equity security ownership outside of the current system maintained by DTC and broker-dealers." SIFMA April Comment Letter at 3. This comment is unfounded and without merit. The proposal is bounded by its terms and is designed to operate entirely within the existing equity market structure – including its requirements for clearance through NSCC and settlement through DTC. It is precisely because the Exchange is sensitive to market participants' concerns related to the introduction and use of new technology that it has proposed a use of blockchain that is consistent with existing market infrastructure and regulation. Any future changes to this model would be subject to the Commission's rule filing process under Section 19 of the Exchange Act and public notice and comment. The Exchange further believes as a general matter that it is incorrect to dismiss any possible application of new technology simply because it has the potential to disrupt current ways of operating in the future. Similar claims were voiced with the introduction of computer technology to trading during the shift away from manual markets to toward electronic markets.

listing standards, all Securities traded on BSTX will have been offered and sold in registered offerings under the Securities Act, which means that purchasers of the Securities will benefit from all of the protections of registration. The Division of Corporation Finance will need to make a public interest finding in order to accelerate the effectiveness of the registration statements for these offerings. Because BSTX is a facility of a national securities exchange, all Securities will be registered under Section 12(b) of the Exchange Act, thereby subjecting all of these issuers to the reporting regime in Section 13(a) of the Exchange Act.

All offerings of securities that are intended to be listed as Securities on BSTX will be conducted in the same general manner in which offerings of exchange-listed equity securities are conducted today under the federal securities laws. An issuer will enter into a firm commitment or best efforts underwriting agreement with a sole underwriter or underwriting syndicate; the underwriter(s) will market the securities and distribute them to purchasers; and secondary trading in the securities (that are intended to trade on BSTX as Securities) will thereafter commence on BSTX. The ancillary recordkeeping function associated with the Security will not commence until the conclusion of the first day of the Security's secondary trading on BSTX pursuant to proposed BSTX Rule 17020.²²

Issuers on BSTX could include both (1) new issuers who do not currently have any class of securities registered on a national securities exchange, and (2) issuers who currently have securities registered on a national securities exchange and who are seeking registration of a separate class of equity securities for listing on BSTX. BSTX does not intend for Securities

²² Although the smart contract that would be used to carry out the ancillary recordkeeping function related to the security would need to be built by or at the direction of the issuer prior to the commencement of the security's trading on BSTX, the corresponding smart contract would effectively remain dormant until the ancillary recordkeeping process contemplated under the proposed BSTX Rules is activated due to trading on the BSTX System in that Security.

listed, or intended to be listed, on BSTX to be fungible with any other class of securities from the same issuer.²³ If an issuer sought to list securities on BSTX that are not a separate class of an issuer's securities, BSTX does not intend to approve such a class of security for listing on BSTX, pursuant to BSTX's authority under BSTX Rule 26101. At the commencement of BSTX's operations, only equity securities would be eligible for listing as Securities. This would be addressed by BSTX Rules 26102 (Equity Issues), 26103 (Preferred Securities) and 26105 (Warrant Securities), which would be part of BSTX's listing rules and would contemplate that only those specified types of equity securities would be eligible for listing.

2. Securities Depository Eligibility

BSTX would maintain rules that would promote a structure in which Securities would be held in "street name" with DTC.²⁴ BSTX Rule 26136 would require that for an equity security to be eligible to be a Security BSTX must have received a representation from the issuer that a CUSIP number that identifies the security is included in a file of eligible issues maintained by a securities depository that is registered with the SEC as a clearing agency. This is based on rules

²³ BSTX notes that market participants, including SIFMA, have asked why Securities listed on BSTX would not be fungible with another class of securities from the same issuer and what the implications of this might be. The Exchange notes that Securities would not be fungible with another class of securities of the same issuer because no class of an issuer's securities is fungible with a separate class of its securities – otherwise they would be the same class of security. Nothing herein proposes any change to existing framework for different classes of securities.

²⁴ The term "street name" refers to a securities holding structure in which DTC, through its nominee Cede & Co., would be the registered holder of the securities and, in turn, DTC would grant security entitlements in such securities to relevant accounts of its participants. Proposed BSTX Rule 26135 would also provide, with certain exceptions, that securities listed on BSTX must be eligible for a direct registration program operated by a clearing agency registered under Section 17A of the Exchange Act. DTC operates the only such program today, known as the Direct Registration System, which permits an investor to hold a security as the registered owner in electronic form on the books of the issuer.

that are currently maintained by other equities exchanges.²⁵ In practice, BSTX Rule 26136 requires the Security to have a CUSIP number that is included in a file of eligible securities that is maintained by DTC because the Exchange believes that DTC currently is the only clearing agency registered with the SEC that provides securities depository services.²⁶

3. Book-Entry Settlement at a Securities Depository

BSTX would also maintain Proposed BSTX Rule 26137 regarding uniform book-entry settlement. The rule would require each BSTX Participant to use the facilities of a securities depository for the book-entry settlement of all transactions in depository eligible securities with another BSTX Participant or a member of a national securities exchange that is not BSTX or a member of a national securities association.²⁷ Proposed BSTX Rule 26137 is based on the depository eligibility rules of other equities exchanges and Financial Industry Regulatory Authority (“FINRA”).²⁸ Those rules were first adopted as part of a coordinated industry effort in 1995 to promote book-entry settlement for the vast majority of initial public offerings and “thereby reduce settlement risk” in the U.S. national market system.²⁹

4. Participation in a Registered Clearing Agency That Uses a Continuous Net Settlement System

²⁵ Proposed BSTX Rule 26136 is based on current NYSE Rule 777.

²⁶ See Exchange Act Release No. 78963 (September 28, 2016), 81 FR 70744, 70748 (October 13, 2016) (footnote 46 and the accompanying text acknowledge that DTC is the only registered clearing agency that provides securities depository services for the U.S. securities markets).

²⁷ FINRA is currently the only national securities association registered with the SEC.

²⁸ See e.g., FINRA Rule 11310. Book-Entry Settlement and NYSE Rule 776. Book-Entry Settlement of Transactions.

²⁹ These coordinated depository eligibility rules resulted from proposed listing rules amendments developed by the Legal and Regulatory Subgroup of the U.S. Working Committee, Group of Thirty Clearance and Settlement Project. See Securities Exchange Act Release Nos 35774 (May 26, 1995) (SR-NASD-95-24), 60 FR 28813 (June 2, 1995); 35773 (May 26, 1995), 60 FR 28817 (June 2, 1995) (SR-NYSE-95-19).

Under proposed BSTX Rule 25140, each BSTX Participant would be required to either (i) be a member of a registered clearing agency that uses a continuous net settlement (“CNS”) system, or (ii) clear transactions executed on BSTX through a member of such a registered clearing agency. The Exchange believes that today NSCC is the only registered clearing agency that uses a CNS system to clear equity securities, and proposed BSTX Rule 25140 further specifies that BSTX will maintain connectivity and access to the Universal Trade Capture system of NSCC to transmit confirmed trade details to NSCC regarding trades executed on BSTX. The proposed rule would also address the following: (i) a requirement that each Security transaction executed through BSTX must be executed on a locked-in basis for automatic clearance and settlement processing; (ii) the circumstances under which the identity of contra parties to a Security transaction that is executed through BSTX would be required to remain anonymous or may be revealed; and (iii) certain circumstances under which a Security transaction may be cleared through arrangements with a member of a foreign clearing agency. Proposed BSTX Rule 25140 is based on a substantially identical rule of the Investor’s Exchange, LLC (“IEX”), which, in turn, is consistent with the rules of other equities exchanges.³⁰

BSTX believes that the operation of its depository eligibility rule and its book-entry services rule would promote a framework in which Securities that would be eligible to be listed and traded on BSTX would be equity securities that have been made eligible for services by a registered clearing agency that operates as a securities depository and that are settled through the facilities of the securities depository by book-entry. The Exchange believes that because DTC currently is the only clearing agency registered with the SEC that provides securities depository

³⁰ See IEX Rule 11.250 (Clearance and Settlement; Anonymity), which was approved by the Commission in 2016 as part of its approval of IEX’s application for registration as a national securities exchange. Exchange Act Release No. 78101 (June 17, 2016); 81 FR 41142 (June 23, 2016); see also Cboe BZX Rule 11.14 (Clearance and Settlement; Anonymity).

services, at the commencement of BSTX's operations, Securities would be securities that have been made eligible for services by DTC, including book-entry settlement services.

5. Settlement Cycle

Proposed BSTX Rule 25100(d) would address settlement cycle considerations regarding trades in Securities. Security trades that result from orders matched against the electronic order book of BSTX would be required to clear and settle pursuant to the rules, policies and procedures of a registered clearing agency. As noted above in connection with the description of proposed BSTX Rule 25140, the Exchange expects that at the commencement of operations by BSTX it would transmit confirmed trade details to NSCC regarding Security trades that occur on BSTX and that NSCC would be the registered clearing agency that clears Security trades. The Exchange expects that such trades would be cleared through NSCC using a T+2 settlement cycle, as is the case today for all other exchanges that facilitate trading in NMS stock.

F. Compatibility with the BSTX Protocol for BSTX-Listed Securities to Facilitate Ancillary Recordkeeping

BSTX would maintain listing standards that would enable Securities to have an ancillary record of ownership recorded on the Ethereum blockchain using a protocol standard determined by BSTX (the "BSTX Protocol" or the "Protocol").³¹ In this way, the Ethereum blockchain would serve as a complementary recordkeeping mechanism to official records of Security ownership maintained by market participants.³²

³¹ While BSTX initially intends to support only the trading of eligible Securities that are compatible with the Ethereum public blockchain, BSTX may support assets compatible with other blockchains that support smart contract functionality in the future.

³² In the SIFMA April Letter, SIFMA stated that it believes that the proposed use of blockchain by the Exchange constitutes "novel equity market structure issues" that should be addressed by the Commission into a concept release. SIFMA April Letter at 4. The Exchange disagrees. The proposal would not introduce any novel equity market structure issues that would impact trading,

1. Background on Blockchain Technology

In general, a blockchain is an open, decentralized ledger that can maintain digital records of assets and transactions that are accessible to anyone running the same protocol.³³ The blockchain's central function is to encode transitions or changes to the ledger, such as the movement of an asset from one person to another person. Whenever one change to the blockchain ledger occurs to record a state transition, the entire blockchain is immutably changed to reflect the state transition. The purpose of requiring Securities to adopt the BSTX Protocol is to enable Security ownership to be recorded as a tokenized asset on the public Ethereum blockchain as an ancillary recordkeeping mechanism and to ensure uniformity among Securities rather than permitting each Security to have its own unique specifications that might complicate updates to the blockchain and add unnecessary complexity.

2. Background on the Ethereum Blockchain

The Ethereum blockchain is an open-source, public blockchain that operates as a computing platform and operating system that supports smart contract functionality.³⁴ Smart contracts are computer protocols designed to digitally facilitate, verify, and enforce the performance of a contract. Ethereum-based smart contracts are executed on the Ethereum Virtual Machine, which can be thought of as a global computer network upon which the smart contracts run. Ether is the digital currency used to pay fees associated with operating smart

clearance or settlement, and the proposed, limited use of blockchain technology is entirely separate from these processes and applicable only to BSTX Participants. The Exchange believes it is important for exchanges to have the ability to make changes to their rules that incorporate new features, including uses of new technology that have no impact on the existing equities market infrastructure, without necessitating a market-wide referendum.

³³ A "protocol" for this purpose is a set of rules governing the format of messages that are exchanged between the participants.

³⁴ See Ethereum White Paper (last updated Aug. 1, 2018) available at <https://github.com/ethereum/wiki/wiki/White-Paper>.

contracts (known as “gas”) on the Ethereum networks. This is because there are costs involved in performing the computations necessary to execute a smart contract and to record any state transitions onto the Ethereum blockchain.³⁵ Thus, moving tokenized assets from one address to another address (i.e., a state transition) requires some amount of Ether to pay the fee (i.e., “gas”) associated with recording the movement of tokenized assets to the Ethereum blockchain. Parties to a transaction in Ethereum-based smart contracts can determine what those gas costs are depending on how quickly they would like the transaction to be reflected on the Ethereum blockchain.

3. Background on Smart Contracts

The term “smart contract” is commonly used to describe computer-coded functions in connection with the Ethereum blockchain. An Ethereum smart contract is neither “smart” nor a legal contract in the traditional sense. Smart contracts in this context refer to immutable³⁶ computer programs that run deterministically³⁷ in the context of the Ethereum Virtual Machine. Smart contracts operate within a very limited execution context. They can access their own state, the context of the transaction that called them, and some information about the most recent blocks (i.e., the most recent recording of transactions and other events recorded to the Ethereum blockchain).

In the context of tokens representing Securities, smart contracts generally may have three

³⁵ See *What Is Gas*, MyEtherWallet (2018) available at <https://kb.myetherwallet.com/posts/transactions/what-is-gas/>.

³⁶ Smart contracts are immutable in that, once deployed, the code of a smart contract cannot change. Unlike with traditional software, the only way to modify a smart contract is to deploy a new instance.

³⁷ Deterministic in this context means that the outcome of the execution of a smart contract is the same for everyone who runs it, given the context of the transaction that initiated its execution.

components: (i) functions, (ii) configurations; (iii) and events.³⁸ Functions describe the basic operations of a smart contract, such as the ability to query a particular address to determine the quantity of tokenized assets that belong to that address.³⁹ Configurations are attributes of a smart contract that are typically set at the launch of a smart contract, such as designating the name of the smart contract (e.g., as XYZ Security). Events describe the functions of a smart contract that, when executed, result in a log or record being recorded to the Ethereum blockchain, such as the transfer of tokenized assets from one address to another. Not all functions of a smart contract result in a log or record being recorded to the Ethereum blockchain. Smart contracts only run if they are called by a transaction.⁴⁰

Smart contracts can call another smart contract, which can call another contract, and so on. Smart contracts never run “on their own” or “in the background,” but rather lie dormant until a transaction triggers them to carry out a specified operation pursuant to the protocol on which they operate. All transactions execute in their entirety or not at all, regardless of how many smart contracts they call or what those smart contracts do. Only if a transaction successfully executes in its entirety is there an “event” representing a change to the state of the blockchain with respect that transaction. If an execution of a smart contract’s operation fails due to an error, all of its effects (e.g., events) are rolled back as if the transaction never ran.

4. Background on Tokenized Assets or “Tokens”

³⁸ However, a smart contract need not necessarily have each of these components. Some smart contracts may simply be used to support the functioning of other smart contracts and may not itself result in events being recorded to the Ethereum blockchain.

³⁹ An “address” in this context refers to a number that is associated with a particular market participant within the smart contract that can be updated to reflect changes in ownership of tokenized assets.

⁴⁰ The term “transaction” in this context refer not to an actual execution or transaction occurring on BSTX or in the marketplace, but rather to an operation triggering a smart contract to carry out its specified function, which must ultimately originate from a human source.

Tokens historically referred to privately issued, special-purpose coin-like items (e.g., laundry tokens or arcade game tokens). In the context of blockchain technology, tokens generally mean blockchain-based abstractions that can be owned and that represent assets, currency, or access rights. A token on the blockchain used for ancillary recordkeeping of ownership can be thought of as a digital representation of shareholder equity in a legal entity organized under the authority of state or federal law and that meet BSTX's listing standards. Having a token attributed to a particular address, however, would not convey ownership of shareholder equity in the issuer because the official records of ownership would be maintained by participants at DTC.⁴¹

To create a new token (or tokenized asset) on Ethereum, including for purposes of facilitating ancillary recordkeeping of Security ownership, one must create a new smart contract. The smart contract would be configured to detail, among other things, the name of the issuer and the total supply of the tokens that correspond to the BSTX-listed Security. Smart contracts can be designed to carry out any event that one wants, but using a set standard or protocol allows for participants transacting in those smart contracts to have uniform expectations and functionality with respect to the tokens.

5. Background on Protocols

A protocol (also sometimes referred to as a “standard” or “protocol standard”) defines the functions, events, configurations, and other features of a given smart contract. The most common protocol used with Ethereum is the ERC-20 protocol, which describes the minimum

⁴¹ Rather, a digital representation of a Security associated with a particular address reflects an ancillary record of Security ownership based on data provided to BSTX by BSTX Participants. The records reflected on the Ethereum blockchain regarding Securities may not be current to reflect the most recent transactions in the marketplace and may not reflect ownership by all market participants.

functions that are necessary to be considered an ERC-20 token.⁴² The ERC-20 protocol offers basic functionalities to transfer tokens, obtain account balances, and query the total supply of tokens, among other features. The BSTX Protocol is compliant with the ERC-20 protocol but adds additional requirements and functionality, as described below.

As noted above, Ether is the digital currency used to pay fees associated with operating smart contracts (known as “gas”) on the Ethereum network. Payment of gas is required to operate smart contracts because there are costs involved in performing the computations necessary to execute a smart contract and to record any state transitions onto the Ethereum blockchain.

There is an important conceptual distinction between ERC-20 tokens, including tokens used for ancillary recordkeeping purposes of Securiteis, and Ether itself. Where Ether is transferred by a transaction that has a recipient address as its destination, token transfers occur within the specific token contract state and have the token smart contract as their destination, not the recipient’s address. The token smart contract tracks balances and issues events to the Ethereum blockchain. In a token transfer,⁴³ no transaction is actually sent to the recipient of the token. Instead, the recipient’s address is added to a map within the token smart contract itself. In contrast, a transaction sending Ether to an address changes the state of an address. A transaction transferring a token to an address only changes the state of the token contract, not the state of the recipient address. Thus, an address is not really full of tokens; rather it is the token

⁴² See e.g., Jesus Najera, Understanding ERC20, Coin Central (Jan. 8, 2018), [available at https://coincentral.com/understanding-erc20/](https://coincentral.com/understanding-erc20/); Alfonso de la Rocha, *Anatomy of an ERC: An Exhaustive Survey*, Medium (May 7, 2018), [available at https://medium.com/coinmonks/anatomy-of-an-erc-an-exhaustive-survey-8bc1a323b541](https://medium.com/coinmonks/anatomy-of-an-erc-an-exhaustive-survey-8bc1a323b541).

⁴³ A “transfer” in the context of the BSTX Protocol regarding a token refers to a reallocation of the digital representation of a Security on the Ethereum blockchain as an ancillary recordkeeping mechanism to reflect corresponding changes in ownership of the Security.

smart contract that has the addresses and balances associated with each address in it.

6. BSTX Protocol

BSTX Rule 26138 requires that a BSTX listed company's Securities must comply with the Protocol to trade on BSTX. The purpose of this requirement is to ensure that all Securities are governed by the same set of specifications and controls that allow for ownership of Securities to be recorded to the Ethereum blockchain using tokens as an ancillary recordkeeping mechanism.

The Protocol involves three smart contracts. The Asset Smart Contract is the primary smart contract that contains the balances of Securities associated with each address and carries out the functions necessary to reflect changes in ownership. There are two ancillary smart contracts that are called by the Asset Smart Contract in executing transactions. The first of these is the Registry Smart Contract ("Registry"), which contains the list of permissioned (or "whitelisted") addresses, and the second is the Compliance Smart Contract, which includes a variable list of additional compliance related rules that the Asset Smart Contract must comply with in executing a transaction. Each of these three smart contracts are described in greater detail below:

- (1) Asset Smart Contract – The Asset Smart Contract defines and establishes the tokens (e.g., the maximum number of tokens available for a particular issuance) for purposes of the Ethereum blockchain ancillary recordkeeping function and records a list of market participant addresses and the tokens associated with each address.
- (2) Registry Smart Contract – The Registry Smart Contract (or "Registry") defines the permissions available to different types of market participants to perform certain functions. Under the Protocol, there are five different types of market participants

connected with the Registry, each with different abilities and permissions (as detailed below):⁴⁴ (1) Contract Owner, (2) Custodian, (3) Broker Dealer, (4) Custodial-Account, and (5) Investor. The Registry also contains the list of whitelisted addresses to which tokens may be sent and additional information associated with each address (e.g., whether an address has been suspended).

- (3) Compliance Smart Contract – The Compliance Smart Contract is the set of rules held in a separate smart contract that a token can be configured to abide by to ensure compliance with applicable laws and regulations (e.g., by restricting a movement of Securities to an address that has not been added to the Registry for purposes of the Ethereum blockchain ancillary recordkeeping mechanism). The Compliance Smart Contract can be modified to add or remove applicable rules in light of changes to applicable regulatory requirements.

Each of these three smart contracts work together to facilitate the ancillary recordkeeping mechanism for Securities using the Ethereum blockchain. The details of the specific functions, configurations, and events under the Protocol are set forth in greater detail in Exhibit 3N.

The Exchange selected the Ethereum blockchain among other possible blockchains that support smart contracts as the blockchain upon which Securities would be built in accordance with the BSTX Protocol for ancillary recordkeeping purposes because of, among other reasons, its widespread use, the public's familiarity with Ethereum, and its smart contract functionality. Ethereum has maintained the second largest market capitalization behind Bitcoin among

⁴⁴ There are additional roles that are not technically part of the Registry and are instead specific to certain smart contracts. For example, an "Issuer" is an Asset Smart Contract-specific role. Also, an "Administrator" is a Compliance Smart Contract-specific role that allows such a user to, for example, freeze the transfer of tokenized assets for purposes of the ancillary recordkeeping function under certain circumstances and modify or add compliance rules to govern a token.

blockchain-based digital assets for at least two years and is widely recognized by the public.⁴⁵

Over 200,000 different ERC-20 tokens have been built on the Ethereum blockchain, demonstrating its wide-spread use and functionality. The Exchange believes that the Ethereum blockchain is able to support all of the necessary functions of the BSTX Protocol to carry out the Security ancillary recordkeeping function. The Exchange also believes that using a widely-known smart contract platform as opposed to a lesser-known smart contract platform may help issuers become more comfortable with the ancillary recordkeeping process as well as allow them to more-readily locate service providers as necessary to assist them in building their Securities in accordance with the BSTX Protocol. As noted, the Exchange may consider the use of other blockchains supporting smart contract functionality in the future, subject to applicable rule filing requirements with the Commission pursuant to Section 19 of the Exchange Act.⁴⁶

G. Obtaining a Whitelisted Wallet Address⁴⁷

⁴⁵ The Commission has also publicly recognized Ethereum and its native currency Ether. See William Hinman, Director, Division of Corporation Finance, Digital Asset Transactions: When Howey Met Gary (Plastic) (June 14, 2018) available at <https://www.sec.gov/news/speech/speech-hinman-061418>.

⁴⁶ 15 U.S.C. 78s.

⁴⁷ In the SIFMA April Comment Letter, SIFMA asked for further detail regarding how a whitelisted wallet address is obtained, how permissioning is determined for the whitelisted wallet and who controls it. SIFMA April Comment Letter at 5. The Exchange notes that BSTX Participants would obtain a whitelisted wallet address by contacting the Exchange as detailed in this Part II.G. As the only source for obtaining wallet addresses, the Exchange would be responsible for permissioning wallet addresses as well. Each wallet address is an alphanumeric string of characters assigned to a particular BSTX Participant for the purposes of ancillary recordkeeping. A BSTX Participant would not have the ability to move tokenized assets to or from its wallet address or otherwise “control” the wallet address. The process of reallocating tokenized asset balances among different wallet address is a function performed by the Exchange in coordination with a Wallet Manager(s). Thus, the proposed use of blockchain technology is almost entirely passive for BSTX Participants, but for initially obtaining a wallet address and the end-of-day reporting of balances. The Exchange would be responsible for maintaining wallet addresses and whitelisting for the entire life cycle of a Security and the associated tokenized

Pursuant to proposed Rule 17020(a), a BSTX Participant must, either directly or through its carrying firm, establish a wallet address to which its end-of-day Security balances may be recorded by contacting BSTX.⁴⁸ A BSTX Participant that is a carrying broker-dealer for other BSTX Participants would be assigned the wallet address with the status of a Custodian, which would allow that BSTX Participant to request wallet addresses on behalf of other BSTX Participants (for which it serves as the carrying broker-dealer) as either a Custodial Account or Broker-Dealer wallet address, as described above. A BSTX Participant that is not a carrying broker-dealer could request a Broker-Dealer wallet address, a Custodial Account wallet address in coordination with its carrying firm, and an Investor wallet address on behalf of a customer that would like its ownership of Securities represented by a tokenized asset to be reflected at its own address for purposes of the Ethereum blockchain as an ancillary recordkeeping mechanism.⁴⁹

Contact information for BSTX for the purpose of establishing a wallet address will be published on the BSTX website. Proposed BSTX Rule 17020(a) requires a BSTX Participant to establish a wallet address by contacting BSTX directly or through its carrying firm acting on its behalf. BSTX expects that this process (i.e., contacting the Exchange and establishing a wallet address) would occur contemporaneously with the application by a market participant to become a BSTX Participant. However, under proposed BSTX Rule 17020(a), a BSTX Participant would have up until five business days from the date that the Exchange approves the application of the BSTX Participant to satisfy the obligation to obtain a wallet address. In the event that a BSTX

asset and life cycle of participants' accounts. An unlimited number of addresses may be established for a Security and can be removed as necessary.

⁴⁸ Multiple Security issuances can be attributed to a BSTX Participant's wallet address. A BSTX Participant would not need a separate wallet address for each Security issuance that it trades.

⁴⁹ A BSTX Participant that is a carrying broker-dealer, and which therefore has a Custodial Account address, could also request Investor wallet addresses on behalf of customers.

Participant has not obtained a wallet address prior to the Exchange's approval of its application, the BSTX Participant would become subject to the end-of-day Security balance reporting requirements in proposed BSTX Rules 17020(b) and (c). However, because the BSTX Participant would not yet have a wallet address to which the position balance information could be attributed by a Wallet Manager, the tokenized assets associated with any Security position balances of such BSTX Participant would be attributed to the omnibus wallet address (as described below) until the time the BSTX Participant obtains a wallet address. For the avoidance of doubt, having end-of-day position balance information for a tokenized asset related to a Security attributed to a particular wallet address would not convey ownership of shareholder equity in the issuer to the person or entity with whom such wallet address is associated. BSTX-listed Securities will be cleared and settled in the same manner as other NMS stocks through the facilities of a registered clearing agency, and the official records of ownership would be maintained as discussed above in Part II.E. Therefore, any lack of a wallet address would not affect the official records of ownership of the BSTX-listed Security.

Once a BSTX Participant has been assigned a particular wallet address, the only further obligation of that BSTX Participant is to report its end-of-day Security position balances to BSTX, as described below. Non-BSTX Participants that may trade Securities are not subject to the requirement that they obtain a wallet address prior to trading a Security or to the end-of-day Security balance position reporting requirements. The Exchange will not accept voluntary reports of end-of-day Security balances from non-BSTX Participants, but may consider doing so in the future, subject to any applicable or necessary rule filing requirements with the Commission. The Exchange believes that the proposed requirement in Rule 17020(a) to obtain a

wallet address is consistent with the Exchange Act and Section 6(b)(5)⁵⁰ in particular because it would help foster cooperation and coordination with persons engaged in regulating and facilitating transactions in Securities by setting forth a process through which BSTX Participants may obtain a wallet address to which their end-of-day Security balances may be recorded to the Ethereum blockchain as an ancillary recordkeeping mechanism. The Exchange believes that the proposed requirement is similar to obtaining a market participant identifier (“MPID”) in that it establishes an identifier that can be attributed to a particular BSTX Participant for reporting purposes. The proposed requirement to obtain a wallet address is the same for all BSTX Participants, and is therefore not unfairly discriminatory, and the Exchange does not propose to charge a fee for obtaining a wallet address.

H. Wallet Manager⁵¹

As described further below, following the end of a trading day, BSTX Participants (or their carrying firms) will be required to send Security position balance information to BSTX. Based on the information that BSTX receives, BSTX will deliver that information to one or more Wallet Managers who will be responsible for updates to the Security position balances on the Ethereum blockchain by allocating balances among the wallet addresses of BSTX Participants and the omnibus wallet address.

The Exchange would enter into a contractual arrangement with a Wallet Manager as a service provider to the Exchange performing the function described above. The Exchange does

⁵⁰ 15 U.S.C. 78f(b)(5).

⁵¹ A “Wallet Manager” is defined as a party approved by BSTX to operate software compatible with the BSTX Protocol. See proposed Rule 17000(a)(31). A Wallet Manager would be a third-party service provider for the Exchange that will help facilitate establishing wallet addresses for BSTX Participants and facilitate updates to the Ethereum blockchain as an ancillary recordkeeping mechanism regarding changes in ownership resulting from trading. Approved Wallet Managers will be listed on the Exchange’s website.

not believe that performing the ancillary recordkeeping process would make a Wallet Manager a facility of the Exchange because the Wallet Manager's functions do not meet the definition of "facility" under the Exchange Act. Section 3(a)(2) of the Exchange Act provides that "the term 'facility' when used with respect to an exchange includes its premises, tangible or intangible property whether on the premises or not, any right to the use of such premises or property or any service thereof for the purpose of effecting or reporting a transaction on an exchange (including, among other things, any system of communication to or from the exchange, by ticker or otherwise, maintained by or with the consent of the exchange), and any right of the exchange to the use of any property or service."⁵² A Wallet Manager is neither property of the Exchange nor does a Wallet Manager provide services for effecting or reporting a transaction taking place on the Exchange. Rather, a Wallet Manager performs the function of updating end-of-day Security position balance information provided by the Exchange as part of an ancillary recordkeeping mechanism. The Ethereum blockchain would not reflect any particular transaction(s) that occurred in the marketplace but would instead record allocations of end-of-day Security position balances – which may result from a variety of activities in the marketplace for the relevant Securities such as trading activity, lending activity, and free-of-payment transfers between DTC accounts. The definition of "facility" in Section 3(a) of the Exchange Act is instead focused on "effecting or reporting a transaction" as part of the operations of an exchange, namely the bringing together of orders for securities of multiple buyers and sellers using non-discretionary methods under which such orders interact with each other, and the buyers and sellers entering such orders agree to the terms of a trade.⁵³ Thus, systems of communication to the Exchange

⁵² 15 U.S.C. 78c(a)(2).

⁵³ 17 CFR 240.3b-16.

used to effect trades or to receive market data would likely be considered facilities of the Exchange, but an end-of-day ancillary recordkeeping reporting process that does not provide any real or near-time information regarding transactions in the market should not.⁵⁴ The Commission “long has recognized that there must be some practical limitations on entities encompassed within the broad definition of the term ‘exchange.’”⁵⁵ The ancillary recordkeeping process would have no impact on, or perform a function related to, the bringing together of buyers and sellers’ orders, clearance, settlement, market data or routing functions of the exchange (*i.e.*, all of these functions can continue upon any suspension of the ancillary recordkeeping process),⁵⁶ and therefore cannot reasonably be considered a “facility” of the exchange. The Exchange intends to enter into a contractual arrangement with at least one Wallet Manager.⁵⁷ The Exchange intends

⁵⁴ The Commission has not defined the term “facility.” See Exchange Act Release No. 26708 (Apr. 11, 1989), 54 FR 15429 (Apr. 18, 1989) (noting that the term “facility” has not changed since it was originally adopted and that no hearing testimony referred to it because “the Committee felt that the definition was ‘self-explanatory’”).

⁵⁵ *Id.*

⁵⁶ The Exchange notes that suspension of the ancillary recordkeeping process would not impact trading in the Security. Trading and the clearance and settlement of Securities can operate entirely independently from the ancillary recordkeeping process.

⁵⁷ The Exchange expects that it will initially operate with one Wallet Manager, but there is nothing to preclude the use of another Wallet Manager provided the prospective Wallet Manager is capable of operating software compatible with the BSTX Protocol. The Exchange expects that tZERO would operate as the initial Wallet Manager. BOX Exchange LLC, the self-regulatory organization of which BSTX is a facility, neither controls, directly or indirectly, nor is under common control with tZERO. The voting class of equity of the BSTX facility is 50% owned by tZERO and BOX Digital Markets, which is 100% owned by BOX Holdings Group LLC. BOX Exchange LLC does not have direct or indirect ownership interest in BOX Holdings LLC or its subsidiaries. As a result, because BOX Exchange LLC does not exercise control over tZERO or its affiliates, tZERO would not constitute “property” of the Exchange for purposes of determining whether it is a facility. In any case, it is the functions of the particular entity that should matter for purposes of determining whether an entity or function is a facility of an exchange rather than whether an entity is affiliated or not with an exchange. See *e.g.*, Exchange Act Release No. 54538 (Sept. 28, 2006), 71 FR 59184 (Oct. 6, 2006) (order approving PHLX’s new equity trading system and operation of optional outbound router as a facility of PHLX, where PHLX had no ownership interest in the third party operator).

to evaluate each potential Wallet Manager's capability to receive information from BSTX related to BSTX Participants' end-of-day Security balances along with its ability to update the Ethereum blockchain upon receipt of such information. Further, the Exchange intends to perform due diligence on potential Wallet Managers, including but not limited to checking the list produced by the U.S. Treasury Department of persons with whom U.S. citizens are prohibited from doing business ("OFAC List"). Finally, the Exchange intends to require each Wallet Manager in its service agreement with the Wallet Manager to agree to comply with all applicable securities laws.⁵⁸ The Exchange believes that using the criteria listed above for evaluating potential Wallet Managers may prevent fraudulent and manipulative acts and practices, consistent with Section 6(b)(5) of the Exchange Act.⁵⁹ The Exchange believes that requiring every Wallet Manager to act in a manner consistent with applicable securities laws and not be on the OFAC List would help ensure that persons reputed to have committed illegal acts and who violate securities laws, including any such laws meant to prevent fraud and market manipulation, will not operate as Wallet Managers.

I. Coordination Between BSTX, Registered Clearing Agencies, and Wallet Managers

Upon the occurrence of a transaction on BSTX due to the completion of its order matching process,⁶⁰ BSTX would generate an execution report, and it would deliver drop copies

⁵⁸ Pursuant to the Exchange's agreement with the Wallet Manager(s), the Wallet Manager(s) would be required to record balances to the Ethereum blockchain following each trading day. As a result, tokenized assets representing Security balances of BSTX Participants would be updated each trading day, but not on non-trading days (e.g., holidays).

⁵⁹ 15 U.S.C. 78f(b)(5).

⁶⁰ Order matching would occur through a price-time priority model, as discussed in greater detail below.

to its own front-end systems to update the BSTX Participants and to NSCC.⁶¹ Where a BSTX transaction creates a settlement obligation to transfer registered ownership of a Security, clearance and settlement would be performed in accordance with the rules, policies and procedures of a registered clearing agency as described in Part II.E. above. The Wallet Manager would be provided with end-of-day position balance information of BSTX Participants necessary to update the Ethereum blockchain through the end of day reporting mechanism discussed below.

J. Reporting End-of-Day Security Balances to Facilitate Ancillary Recordkeeping

To update the Ethereum blockchain to reflect ownership of Securities as an ancillary recordkeeping mechanism, the Exchange proposes to require that each BSTX Participant, either directly or through its carrying firm, report each business day to BSTX certain end-of-day Security balances in a manner and form acceptable to BSTX.⁶² A BSTX Participant that is a participant at DTC would be required to report to BSTX the total number of Securities for each class of Security that is credited to each DTC account of the BSTX Participant.⁶³ For a BSTX Participant that is not a DTC participant, the BSTX Participant would be required to report the total number of Securities for each class of Security that are credited to the BSTX Participant by its carrying firm.⁶⁴ Pursuant to proposed Rule 17020(d), upon receipt of the end-of-day Security balances from BSTX Participants, the Exchange would provide such information to the Wallet Manager(s) to update the Ethereum blockchain as an ancillary recordkeeping mechanism to

⁶¹ The last sale transaction data would also be publicly disseminated pursuant to the transaction reporting plan, which would occur before delivery of drop copies to these parties.

⁶² See Proposed Rule 17020(b).

⁶³ See Proposed Rule 17020(b)(1). As described above in Part II.E., BSTX would maintain rules that would promote a structure in which Securities would be held in “street name” with DTC.

⁶⁴ See Proposed Rule 17020(b)(2).

reflect updates in Security balances.⁶⁵ Proposed Rule 17020(d) would also provide that unreported Security balances will be determined and allocated to an omnibus wallet address for each Security as described further below. The Exchange would determine the number of tokens (which represent Securities) to be allocated to the omnibus wallet address by the Wallet Manager(s) by subtracting the sum of the Security position balances reported for a particular Security by BSTX Participants from the total outstanding number of that particular Security. BSTX expects that each Security would have a dedicated omnibus wallet address that the Wallet Manager(s) would use to allocate the resulting balance to that address.

The Exchange proposes that these end-of-day Security balance reports would be required each business day when DTC is also open for business, but after such time as DTC has

⁶⁵ Notably, because the Ethereum blockchain would be updated each day using the end-of-day Security balance reports, and is, in any case, only functioning at this time as an ancillary recordkeeping function, concerns regarding a loss of private keys or disruption to the Ethereum blockchain are fully mitigated. For example, assume a BSTX Participant owns 100 Securities of XYZ at the end of Day 1 and, as a result of trading on Day 2, ends Day 2 with a balance of 200 Securities of XYZ. If the BSTX Participant's wallet address were somehow compromised during the trading day on Day 2 and the 100 tokenized assets representing Securities were moved to another address (which could only be moved to another whitelisted address), this would not substantively impact the functioning of the blockchain as an ancillary recordkeeping tool. At the end of trading on Day 2, the BSTX Participant would report its ownership of 200 Securities of XYZ to BSTX, which would then update the Ethereum blockchain to reflect this end of day balance. The Wallet Manager makes updates to the balances associated with wallet addresses by reallocating tokens (which represent Securities) between wallet addresses, including the omnibus wallet address, so that after each trading day the wallet address account balances reflect the new Security balances reported to BSTX pursuant to Rule 17020. These reallocations based on end-of-day Security balance reports from BSTX Participants are not designed to reflect actual transactions that occurred during the trading day. Rather, the reallocation process focuses on achieving the ends of having the correct number of tokens (which represent Securities) attributed to each wallet address based on the end-of-day Security balance reports. For example, if there were only two transactions in the entire marketplace during the trading day—a sale of 100 Securities from BSTX Participant A to BSTX Participant B and a subsequent sale of 100 Securities from BSTX Participant B to BSTX Participant C—the end of day reallocation process would result in a reallocation of 100 tokens (which represent Securities) from BSTX Participant A to BSTX Participant C, and would consequently not reflect any actual transactions.

completed its end-of-day settlement process.⁶⁶ The Exchange believes that once DTC has completed its end-of-day settlement process, DTC participants would be able to determine the number of Securities credited to their DTC account(s) and to other market participants that settle through that DTC participant. Thereafter, BSTX Participants, or their carrying firms, would be able to obtain their Security balance information and report it to BSTX by the end of the day. The Exchange understands that DTC typically makes end-of-day security position reports available to DTC participants at approximately 7:30 p.m. Eastern time. Therefore, the Exchange will notify BSTX Participants via Regulatory Circular of the time after 7:30 p.m. Eastern time by which end-of-day security position balance reports will be required to be provided to BSTX pursuant to BSTX Rule 17020(c).⁶⁷ The Exchange will also notify BSTX Participants via Regulatory Circular of the time by which it will provide Security position balance information to the Wallet Manager(s) so that the Wallet Manager(s) will have sufficient time to carry out their contractual obligation to update the Ethereum blockchain as an ancillary recordkeeping mechanism prior to the commencement of trading on BSTX on the next trading day.

The Exchange acknowledges that, in certain circumstances, a BSTX Participant subject to the requirements of proposed Rule 17020 could fail to report end-of-day Security balances to BSTX in a timely manner, inaccurately report such balances, or fail to obtain a wallet address prior to acquiring a position in a Security. Such failures would impair the ability of the Exchange to report complete end-of-day Security balance information regarding a Security to the

⁶⁶ See Proposed Rule 17020(c).

⁶⁷ The Exchange notes that other exchanges use a similar formulation whereby the exact timing details for delivery of information to an exchange are set forth in a regulatory circular. See e.g., EDGX Rule 4.2.02 and BZX Rule 4.2.02 (setting forth a “Regulatory Data Submission Requirement” providing that BZX/EDGX members “shall submit to the Exchange such Exchange-related order, market and transaction data as the Exchange by Regulatory Circular may specify, in such form and on such schedule as the Exchange may require.”).

Wallet Manager(s) who will be responsible for using that information, in turn, to update the Security balance information that is reflected on the Ethereum blockchain. The Exchange notes that BSTX Participants would be required to comply with applicable Exchange Rules, including the requirement to report their end-of-day Security balances, and may be subject to disciplinary action for failing to comply with applicable rules pursuant to proposed Rule Series 24000 (Discipline and Summary Suspension).

As noted above, to account for instances in which a BSTX Participant fails to report or to accurately report its end-of-day Security balance pursuant to proposed Rule 17020, as well as to account for the positions of Security holders who are not BSTX Participants and therefore not subject to the end-of-day Security balance reporting requirement, the Exchange proposes to use an omnibus wallet address to account for such Securities in the ancillary records that would be published on the Ethereum blockchain. Specifically, the Exchange would know the total number of Securities outstanding and would provide information to the Wallet Manager(s) to allow the Wallet Manager(s) to attribute the unreported Security balance (which shall be represented by a token balance on the blockchain) for a given Security to an omnibus wallet address for each Security. For example, assume that on Day 1 there are 1,000 Securities for company XYZ outstanding, 800 are held at DTC in accounts for the benefit of eight BSTX Participants and 200 are otherwise held at DTC. Assume further that BSTX receives timely and accurate end-of-day XYZ Security balance reports from all eight BSTX Participants in respect of 800 XYZ Securities. At the end of Day 1 as part of the end-of-day reporting process, the Exchange would provide information to the Wallet Manager(s) allowing the Wallet Manager(s) to allocate the 800 XYZ tokens (which represent Securities) among the BSTX Participants consistent with their end-of-day Security balance reports and to allocate the remaining balance of 200 to the omnibus

wallet address. In this same example, assume a BSTX Participant who holds 100 XYZ Securities failed to report its XYZ Security balance to BSTX. In this case, the Exchange would provide information to the Wallet Manager(s) allowing the Wallet Manager(s) to allocate 300 XYZ tokens (which represent Securities) to the omnibus wallet address for XYZ Security. The omnibus wallet address in this example would thus reflect the sum of XYZ Securities held by non-BSTX Participants who are not subject to the end-of-day Security balance reporting requirement as well as any missing end-of-day Security balance reports among BSTX Participants.⁶⁸ In all cases, the balances displayed on the Ethereum blockchain would reflect end-of-day Security balances reported to BSTX pursuant to Rule 17020 and an omnibus wallet address for any type of Security for which the sum of the reported positions is less than the number of Securities known by the Exchange to be issued and outstanding. In this way, it is possible that the end-of-day balances published on the Ethereum blockchain may not reflect the precise distribution of a Security among holders of the Security, even among BSTX Participants.⁶⁹ The Ethereum blockchain could also reflect information that is not accurate to the extent that BSTX Participants inaccurately report end-of-day Security balances to BSTX. There could conceivably be situations where the number of reported Securities exceeds the number of

⁶⁸ The omnibus wallet address for each Security could also have greater or fewer tokens (which represent Securities) as a result of a misreport by a BSTX Participant. In the case of an under-report by a BSTX Participant (e.g., owns 100 of XYZ Securities, but reports only 90), the omnibus address for XYZ would have an additional 10 tokens (which represent XYZ Securities) allocated to it. In the case of an over-report (e.g., owns 100 of XYZ Securities, but reports 110), the omnibus address for XYZ may have 10 additional tokens (which represent XYZ Securities) allocated to it.

⁶⁹ The Exchange notes, however, that even in such a case, the total number of shares of the Security outstanding should still be reflected on the blockchain due to unreported balances being attributed to the omnibus wallet address. It is also possible the omnibus wallet address could display the entire outstanding balance of a Security to the extent only non-BSTX Participants held the entire outstanding balance of a particular Security.

outstanding Securities of a particular issuance (e.g., if Security XYZ were held entirely by BSTX Participants and one BSTX Participant over-reports). There could also be situations in which the Exchange is unable to communicate end-of-day Security balances to the Wallet Manager(s) or the Wallet Manager(s) is/are unable to update the blockchain. Additionally, it is also possible that there could be a disruption to the website through which token balances may be observed (i.e., Etherscan.io, discussed below), to the Ethereum blockchain itself that prevents the updating of end-of-day balances as an ancillary recordkeeping mechanism, or potentially to the architecture or functioning of a particular Security.⁷⁰

To address the potential for inaccurate reporting by BSTX Participants, the Exchange is proposing Rule 17020(e), which provides that a BSTX Participant shall promptly send a corrected end-of-day Security balance report to the Exchange upon the Participant's discovery that it submitted an inaccurate end-of-day report that has not already been corrected or superseded. Rule 17020(e) would also provide that if the Exchange has reason to believe that the Security balances reported by one or more BSTX Participants may be inaccurate, the Exchange may request additional information regarding the applicable reports and balances from any BSTX Participant. Under the proposed rule, a BSTX Participant shall promptly respond to any additional information requests that the Exchange may make regarding its end-of-day Security

⁷⁰ This could potentially occur if, for example, the Ethereum Virtual Machine were to suffer a "51% Attack" whereby an individual or group acting together gain 51% or more of the computing power, essentially giving the attackers control over the Ethereum blockchain and the ability to disrupt or modify transactions on the Ethereum blockchain. The Exchange believes that this possibility is remote, but the Exchange will nonetheless monitor for such possibilities either directly or by using a vendor, which may include Wallet Managers that agree to perform this function and promptly alert the Exchange to any compromise of the Ethereum blockchain or other type of disruption that might impact the end-of-day Security balance reporting process as an ancillary recordkeeping mechanism (e.g., inability to access Etherscan.io).

balance reports.⁷¹ The Exchange believes that it is important for the protection of investors and in the public interest, consistent with Section 6(b)(5) of the Exchange Act, to establish mechanisms to help ensure the accuracy of end-of-day Security balances by requiring BSTX Participants to promptly correct known errors in their reports and to provide the Exchange with express authority to seek additional information from BSTX Participants where the Exchange has reason to believe to that one more reports may be inaccurate.⁷² Similar mechanisms to promote accurate reporting exist for a wide variety of different market participant obligations today, such as the duty of the broker-dealer operator of an NMS stock alternative trading system to promptly correct material errors or omissions discovered in their Form ATS-N and the duty to correct trade reports to FINRA.⁷³ The Exchange believes that proposed Rule 17020(e) sets forth reasonable processes to help ensure the Security position balances published as token balances on the blockchain are accurate, and that ensuring the accuracy of this information will better facilitate all market participants' ability to evaluate the potential uses of blockchain technology in securities transactions.

In addition to these controls and mechanisms for ensuring the accuracy of reported

⁷¹ This additional information may include asking the BSTX Participant to confirm its Security balances, providing a copy of the information the BSTX Participant used to provide its end-of-day Security balance position report, or other books and records of the BSTX Participant relating to its transactions in one more Securities.

⁷² 15 U.S.C. 78f(b)(5). As previously noted, failure to comply with applicable Exchange Rules, including the end-of-day Security balance reporting process could result in disciplinary action against a BSTX Participant. The Exchange would consider a BSTX's Participant's efforts to comply with Rule 17020(e) by promptly submitting a corrected report or responding to additional information requests from the Exchange in determining whether to bring, or the appropriate consequences of, a disciplinary action.

⁷³ See 17 CFR 242.304(a)(2)(i)(C) (requiring correcting amendments to Form ATS and ATS-N "promptly" after discovery of incorrect information previously filed); FINRA, Trade Reporting FAQ, Section 311 (Reporting Cancellations, Corrections and Reversals), <https://www.finra.org/filing-reporting/market-transparency-reporting/trade-reporting-faq>.

records, the Exchange may need to implement further measures in situations where the ability to update blockchain records may be affected by exogenous factors, as discussed above. To account for these types of situations, proposed Rule 17020(f) provides that the Exchange may suspend the requirements in paragraphs 17020(a) through (d) regarding any BSTX Participant and/or regarding one or more Securities, as applicable, in its discretion and in any such case the Exchange will provide prompt notice thereof and the reason(s) therefore to BSTX Participants.⁷⁴ The Exchange will notify the Commission within two hours of its determination to make any such suspension and the suspension may continue in effect for no more than thirty calendar days from the date the determination is made unless the Exchange has submitted a proposed rule change with the Commission seeking approval of such suspension, in which case the suspension may continue in effect until the Commission approves or disapproves the proposed rule change.⁷⁵

In all such cases involving these types of disruptions relating to the end-of-day Security balance reporting process, there would be no impact on the ability to trade, clear, or settle Security transactions in the ordinary course.⁷⁶ This is because the end-of-day Security balance

⁷⁴ The particular details included in such notice to BSTX Participants will vary based on the facts and circumstances giving rise to the suspension, but the Exchange expects that such notice would describe: (i) the impacted Security (or Securities); (ii) the nature of the disruption; (iii) the anticipated length of the suspension; and (iv) any changes to BSTX Participants' obligations to report end-of-day Security balances.

⁷⁵ See proposed Rule 17020(f). The Exchange believes that proposed Rule 17020(f) may foster coordination with persons processing information with respect to securities and is not designed to permit unfair discrimination because such provision will allow the Exchange to suspend certain Rule requirements in events where there may be difficulty coordinating or sharing pertinent information with BSTX Participants and/or Wallet Manager(s). Further, Rule 17020(f) is designed to apply to all market participants equally and to provide notice to affected market participants and regulators of BSTX, in order to allow such individuals and entities to coordinate with the Exchange and react to potential issues as deemed necessary.

⁷⁶ The Exchange acknowledges, of course, that certain issues such as a widespread power outage that prevents the Exchange from being able to transmit information to the Wallet Manager(s) could also result in a disruption to trading on BSTX and potentially the declaration of a halt in

reporting is solely as an ancillary record-keeping mechanism and because the actual trading, clearance, and settlement of Securities would occur in the same manner as other NMS stock.

The Exchange would set forth via Regulatory Circular the precise manner in which Securities should be reported. In general, the report would simply require certain identifying information regarding the BSTX Participant (e.g., name, carrying firm, MPID) and a list of the end-of-day Security position balances of the BSTX Participant.⁷⁷

As a result of this process, the Ethereum blockchain would in the ordinary course reflect for each Security the end-of-day balance associated with each BSTX Participant's wallet address. Wallet addresses are essentially just a string of numbers and characters, and it would not be made public which BSTX Participant is associated with which wallet address or which address is the omnibus wallet address.⁷⁸ An observer of balances associated with a particular address would not be able to determine whether a particular address represented, for example, a carrying firm reporting end-of-day balances on behalf of multiple BSTX Participants, an individual BSTX Participant, or the omnibus wallet address. Neither could an observer determine which underlying customer(s) of a BSTX Participant associated with a particular

trading of the Security by the Exchange.

⁷⁷ Pursuant to the BSTX Listing Rules, BSTX will allow listing of three types of Securities: equity Securities, preferred Securities, and warrant Securities. These three types of Securities will have similar end-of-day reporting processes; each BSTX Participant will be required to provide end-of-day Security position balance information to BSTX related to each Security issuance based on such BSTX Participant's DTC account balance. The BSTX Listing Rules also discuss paired Securities, which are Securities that may be transferred and traded only in combination with one another as a single economic unit. For paired Securities, BSTX expects that BSTX Participants, when submitting position balance information to BSTX, will specify the end-of-day balances for each constituent Security that comprises a paired Security.

⁷⁸ The Wallet Manager(s) would have information regarding Security balance information associated with a particular BSTX Participant. However, as noted in Part II.H, a condition of serving as a Wallet Manager would include, among other things, a representation to comply with the federal securities laws, including trading on the basis of material non-public information.

wallet address held the Securities or whether the BSTX Participant owned the Securities proprietarily. In addition, an observer of the token balances related to a particular Security would not be able to tell whether a particular wallet address was long or short the shares.⁷⁹ For these reasons, the Exchange believes that the balance information that would be publicly available on the Ethereum blockchain would be sufficiently anonymous to address privacy concerns related to such information. Balance information for the Ethereum blockchain is available at Etherscan.io (“Etherscan”). From Etherscan.io, an observer would be able to search for the name of the particular Security and see the holders of tokens representing the Securities and the associated quantity, as well as other information (e.g., transfers made as a result of the Wallet Manager(s) reallocation process).⁸⁰

The Exchange does not believe that the ancillary records of Security balance information published on the Ethereum blockchain would be likely to cause investor confusion because there is no similar source of information with which an observer of the blockchain data could be confused. That is, the resting position balances related to Security ownership of BSTX Participants and other market participants are not available through another medium (e.g., such as by DTC making such information available) in a manner that could lead an investor to be confused as to whether the Ethereum blockchain or some other source of Security balance information is accurate. Moreover, Security position balance information as recorded on the Ethereum blockchain in token form will not reflect legal ownership of Securities and the

⁷⁹ This is because the end-of-day ancillary recordkeeping process captures only end-of-day balances as reported by DTC to BSTX Participants or their carrying firms. Thus, if a BSTX Participant borrowed Securities and the borrowed Securities were moved to its DTC account (or the DTC account of its carrying firm on its behalf), the borrowed Securities would appear to be a long position in the Security, when in fact the BSTX Participant was taking a short position.

⁸⁰ This process can be done presently with ERC-20 tokens or other digital assets built on Ethereum.

identities of BSTX Participants corresponding to each wallet address (as well as the omnibus wallet address) would not be made public. The Exchange believes that the proposed end-of-day Security balance reporting requirement is consistent with the Exchange Act, and Section 6(b)(5)⁸¹ in particular, because it is designed to foster cooperation and coordination with persons engaged in regulating, clearing, settling, and processing information with respect to transactions in Securities and would not unfairly discriminate among BSTX Participants, all of whom are subject to the same reporting requirement. The purpose of the reporting obligation is to allow the Exchange to receive information from BSTX Participants regarding end-of-day balances in Securities so that the Exchange can provide that information to the Wallet Manager(s) and the Wallet Manager(s) can, in turn, use the information to update the Ethereum blockchain as an ancillary recordkeeping mechanism reflecting changes in Security ownership (i.e., the recording of end-of-day balance information). Without this information, all of the outstanding balances regarding a Security would be attributed by the Wallet Manager(s) in tokenized form to the omnibus wallet address rather than allocated to multiple wallet addresses belonging to corresponding BSTX Participants. Accordingly, to the extent that BSTX Participants have end-of-day balances in Securities, the allocation of the appropriate balances to their respective wallet addresses by the Wallet Manager(s) will reflect a relatively more robust use of the functionality of the smart contracts than if the entire outstanding balance of a Security is attributed in tokenized form to the omnibus wallet address. Promoting this more robust use of the functionality of the smart contracts and their ability to allocate and re-allocate Security balances in tokenized form across multiple wallet addresses will enhance the ability of market participants, including the Exchange, to observe and evaluate the capabilities of blockchain

⁸¹ 15 U.S.C. 78f(b)(5).

technology as an ancillary recordkeeping mechanism. The Exchange notes that under the existing authority of other equity exchanges, the exchange is able to request that exchange members/participants furnish to the exchange records pertaining to transactions executed on or through the exchange in a time and manner required by such exchange.⁸² Accordingly, BSTX believes that the proposed end-of-day Security balance reporting requirement would be consistent with authority that the Commission has already approved regarding furnishment of records by members of exchanges.

The Exchange recognizes that, while the ancillary recordkeeping mechanism will provide additional transparency into Security holdings, there are limitations in what the Ethereum blockchain will reflect with regard to end-of-day Security balances as an ancillary recordkeeping mechanism given that all non-BSTX Participants' balances will be aggregated and reflected in an omnibus wallet address for each Security.⁸³ In addition, the end-of-day token balances (which represent Securities) may be inaccurate or unavailable,⁸⁴ such as when a BSTX Participant

⁸² See e.g., BOX Rule 10000(a) and (b), Cboe BZX Rule 4.2, and IEX Rule 4.540. Broker-dealers are also subject to daily or real-time reporting obligations in a variety of other contexts. For example, pursuant to the FINRA Rule 7000 Series. See e.g., FINRA Rule 7230A(b) (noting that "Participants shall transmit trade reports to the System for transactions in Reportable Securities as soon as practicable but no later than 10 seconds after execution . . ."). Trades in municipal securities are generally required within 15 minutes of the time of trade. See MSRB Rule G-14(a)(ii).

⁸³ The Exchange does not believe that imposing the end-of-day Security reporting requirement on BSTX Participants is unfairly discriminatory or burdens competition because all market participants are free to choose whether to become a BSTX Participant or not and there is no limitation imposed by the Exchange on the ability to trade Securities on other markets. Market participants that voluntarily choose to become BSTX Participants must comply with the rules of the Exchange, but they remain free to become a member of another exchange that supports trading of Securities or to purchase the Securities OTC. The Exchange further notes that it believes the end-of-day Security balance reporting process would not impose a substantial burden on BSTX Participants, because it would not require significant resources or time.

⁸⁴ The Exchange notes that, pursuant to the end-of-day reporting process as provided in Rule 17020 and as explained in further detail above, in all cases the Exchange would provide Security

misreports its balance or under circumstances in which BSTX is unable to send the balances to the Wallet Manager or the Wallet Manager is unable to update the Ethereum blockchain, as discussed above. For these reasons, among others, the Exchange believes that initially using blockchain technology as an ancillary recordkeeping mechanism pursuant to which the Securities represented on the blockchain in tokenized form would not convey legal ownership is the appropriate way to explore the potential benefits of blockchain technology consistent with the protection of investors and the public interest.⁸⁵ In the event of any disruption to the blockchain, the architecture of the Security (and its tokenized representation), or to the end-of-day Security balance reporting process, there would be no impact on the ability of market participants to trade Securities or current balances of Securities actually held by each market participant through the facilities of DTC, which the Exchange believes furthers the protection of investors and the public interest, consistent with Section 6(b)(5) of the Exchange Act.⁸⁶ Moreover, the Exchange believes that the public has an interest in exploring the use of new technology, such as

balance information to the Wallet Manager based on reports provided by BSTX Participants, and in no case will the Exchange knowingly provide inaccurate information to the Wallet Manager. The Exchange believes that inaccuracies in end-of-day Security balances should not be routine, and has adopted a number of mechanisms as safeguards against potential inaccuracies, including a duty to promptly correct an inaccurate report, authority for the Exchange to request additional information, suspension of the reporting process, and potential disciplinary action against BSTX Participants who do not meet these requirements. See Proposed Rule 17020(e) and (f). Nevertheless, the Exchange has described here potential scenarios where potential inaccuracies could theoretically occur in the interest of full transparency. Ultimately, any reporting regime depends on the accuracy of the information reported to the reporting authority, including reporting regimes administered by the Commission such as large trader reporting, ATS quarterly transaction volume data, and security-based swap reporting. See e.g., 17 CFR 13h-1(b)(1)(iii)(requiring prompt filing of a Form 13H filing at the end of each calendar quarter if any information in a Form 13H becomes inaccurate for any reason); Exchange Act Release No. 74244, 80 FR 15464 (March 19, 2015) (“any system for transaction reporting must accommodate the possibility that certain data elements may be incorrectly reported.”).

⁸⁵ 15 U.S.C. 78f(b)(5).

⁸⁶ Id. The Exchange notes that the incidences of blockchain disruption or balance reporting issues would be mitigated by its proposals in Rules 17020 (e) and (f).

blockchain technology, and that such technology may be able to help perfect the mechanism of a free and open market and a national market system, consistent with Section 6(b)(5) of the Exchange Act.⁸⁷ Finally, the Exchange believes that use of anonymized wallet addresses to track end-of-day balances may prevent fraudulent and manipulative acts and practices, consistent with Section 6(b)(5) of the Exchange Act,⁸⁸ because obscuring the identities of the wallet address owners may make it difficult to misuse any private information associated with these wallet addresses. The Exchange believes that the proposal is reasonably designed to introduce blockchain technology in a gradual way and in coordination and cooperation with the industry, the Commission, and the existing regulatory framework.⁸⁹

K. Trading Securities on Other National Securities Exchanges and Implications Related to End-of-Day Reporting

Securities would be eligible for trading on other national securities exchanges that extend unlisted trading privileges (“UTP”) to them. As described above in Part II.E, Securities would

⁸⁷ 15 U.S.C. 78f(b)(5).

⁸⁸ Id.

⁸⁹ In the SIFMA April Letter, SIFMA asked about the implications of having end-of-day balance positions publicly available and whether the reporting system can be “gamed” by a BSTX Participant falsely reporting large holdings. SIFMA April Letter at 5. The Exchange notes that knowingly reporting a false number of Securities to the Exchange would be a direct violation of proposed Rule 17020, violate just and equitable principles of trade, and would be subject to disciplinary action by the Exchange. Nevertheless, if a BSTX Participant did try to “game” the ancillary recordkeeping process by, as SIFMA suggests, over- or under-reporting a quantity, it would not have any impact on the ability of the Securities to trade, clear or settle. Further, as described above, the balance information would not be useful to inform a market participant’s trading in Securities because an observer of the blockchain would not know which market participant is associated with each wallet address, whether it is a DTC Participant reporting on behalf of multiple different BSTX participants, whether the position is long or short, and whether the position is for a customer or a proprietary position of the BSTX Participant. See supra notes 78 and 80 and accompanying text. Accordingly, it is unclear what purpose would be served or incentive there would be for a BSTX Participant to try to “game” the ancillary recordkeeping process. Attempting to do so offers no discernable advantage while at the same time exposing a BSTX Participant to disciplinary action.

be held in “street name” at DTC, have a CUSIP number, and would clear and settle through the facilities of a clearing agency registered with the SEC (i.e., NSCC and DTC respectively). As a result, Securities would be able to trade on other exchanges and OTC in the same manner as other NMS stock. Accordingly, other exchanges would be able to extend unlisted trading privileges to Securities in accordance with Commission rules. The end-of-day Security position balance reporting by BSTX Participants and the publication of such balance information on the blockchain does not impact the ability of Securities to trade on other exchanges or OTC.

The Exchange proposes to include certain rules that contemplate the trading of Securities that may be listed on other national securities exchanges.⁹⁰ Since there are currently no other national securities exchanges trading Securities, these rules would be implemented in anticipation of other exchanges eventually listing and trading their own Securities. BSTX recognizes that another exchange trading Securities, or the equivalent thereof, may require BSTX to adopt certain rules specific to such other exchange in order to extend unlisted trading privileges to the other exchange’s Securities consistent with Rule 12f-5.⁹¹

The Exchange reiterates that the proposed ancillary recordkeeping process is entirely separate from the functioning and requirements of Regulation NMS, as discussed above in II.C. Securities may trade away from BSTX in a manner identical to all other NMS stocks.

However, to the extent another exchange sought to adopt its own ancillary recordkeeping mechanism for BSTX-listed Securities, the Exchange believes there are multiple ways that this could be done. The Exchange cannot predict whether an exchange would want to establish an ancillary recordkeeping mechanism with respect to BSTX-listed Securities, what model another

⁹⁰ See e.g., proposed Rule 25040(e).

⁹¹ 17 CFR 240.12f-5.

exchange might choose, and how or whether such a structure would interact with the Exchange's end-of-day reporting structure. The Exchange expresses no view on the merits of any such hypothetical proposal other than to note that there is no limitation proposed here that would prevent another exchange from participating in the Exchange's ancillary recordkeeping process or establishing some alternative or complementary process. One possible way another exchange could structure its end-of-day Security balance reporting, would be for the exchange to adopt rules stating that it will collect end-of-day Security balance information from its members based on the balance in each participant's DTC account and then such exchange could send that information to BSTX to deliver to a Wallet Manager for posting to the Ethereum blockchain. No development of blockchain technology, smart contract functionality, or other similar technology would be required.⁹² An exchange could also support trading in BSTX-listed Securities without implementing such requirements. An exchange not wishing to report end-of-day balance positions directly to BSTX could instead engage its own version of a wallet manager that could communicate with BSTX's Waller Manager(s) to facilitate updates to the Ethereum blockchain.⁹³ A third potential variation might be for an exchange to design its own reporting

⁹² By way of analogy, this is because an exchange that adopts such a reporting structure would be in a position similar to a BSTX Participant, in that it would simply be delivering end-of-day security balance totals to BSTX (or a Wallet Manager). Therefore, just as with BSTX Participants who need not develop any particular blockchain reporting technology pursuant to end-of-day reporting, an exchange that chose to send end-of-day Security balance reports to BSTX (or a Wallet Manager that BSTX used to update the Ethereum blockchain) would not need to develop any blockchain technology.

⁹³ Because the ancillary recordkeeping process proposed by the Exchange is not part of Regulation NMS or designed to facilitate compliance with Regulation NMS, it is unclear that it would be necessary for BSTX and such other exchange(s) to file a NMS plan with respect to coordinating ancillary recordkeeping mechanisms. A NMS plan is defined under the Exchange Act as any joint SRO plan in connection with: "(i) the planning, development, operation or regulation of a national market system (or a subsystem thereof) or one or more facilities thereof; or (ii) the development and implementation of procedures and/or facilities designed to achieve compliance by a self-regulatory organizations and their members with any section of this

process and technology to facilitate ancillary recordkeeping, with no nexus to the BSTX reporting structure.⁹⁴ The Exchange notes that it has no authority to bind another exchange to any particular reporting structure and is not proposing anything that would limit an exchange's ability to establish a similar, different, or integrated reporting structure. As noted above and elsewhere in this proposal, the Exchange's ancillary recordkeeping mechanism is not a function of Regulation NMS as it exists today, and this proposal should not be read to impose conditions on transactions or persons other than BSTX Participants. Securities clear and settle in the same manner as other NMS stock and therefore an exchange that chooses to extend UTP to Securities may trade them in the same manner as any other NMS stock without any end-of-day or blockchain reporting structure.

Market participants that wish to trade Securities and choose to become BSTX Participants or participants of another exchange that chooses to adopt some ancillary recordkeeping process would subject themselves to either BSTX's or the other exchange's ancillary reporting process or both. Of course, any market participant doing this would have to opt for participation in the relevant exchange, and any costs or compliance burden would be set

Regulation NMS . . ." 17 CFR 242.600(b)(44). Nevertheless, to the extent the Commission believed a NMS plan would be necessary to facilitate the coordination of ancillary recordkeeping processes, the Exchange would gladly welcome any such opportunity as it would promote more complete end-of-day Security balance records by including more market participants in the process. No other exchange has yet contacted the Exchange to express interest in establishing a coordinated ancillary recordkeeping process, but the Exchange would be pleased to engage other exchanges in this regard.

⁹⁴ An exchange need not even necessarily use blockchain technology to record end-of-day position balance reports of its members. Such a recordkeeping process would not be able to leverage the smart contract functionality built into BSTX-listed issuers' shares pursuant to the BSTX Protocol, but there is nothing in principle that would prevent another exchange from using its own systems or technology to create ancillary records of its members' Security balances. In such a case, the records published by the other exchange would reflect those of its members while the Ethereum blockchain would reflect the balances of BSTX Participants. These would be separate sets of ancillary records.

forth in the rules of the relevant exchange.⁹⁵ Any market participant that would not want to perform the reporting obligations could avoid doing so by simply choosing to not become a BSTX Participant or participant of any other exchange imposing end-of-day Security balance reporting requirements on its members.

L. Benefits of a Security

As described above, the proposed BSTX Rules contemplate the use of smart contract functionality to record end-of-day Security position balance information in tokenized form to the Ethereum blockchain as an ancillary recordkeeping mechanism. The Exchange's proposal thereby represents an ancillary pairing of blockchain technology with the existing equities market infrastructure, in a manner consistent with Section 6(b)(5) and other relevant provisions of the Exchange Act, as described herein. The Commission has stated that it is "mindful of the benefits of increasing use of new technologies for investors and the markets, and has encouraged experimentation and innovation . . ."⁹⁶ stating further that "[i]nformation and communications technologies are critical to healthy and efficient primary and secondary markets."⁹⁷ Regarding the judgment of whether the benefits of certain technologies are meritorious, the Commission has explained its view that "[t]he market will ultimately prove the worth of technology -- whether the benefits to the industry and its investors of developing and using new services are greater than the associated costs."⁹⁸ Consistent with these statements, the Exchange believes that promoting

⁹⁵ A market participant that chooses to become a BSTX Participant would only need to obtain a wallet address from the Exchange and comply with the end-of-day Security balance reporting requirement pursuant to proposed Rule 17020. There is no technological investment needed by BSTX Participants under the proposal related to the use of distributed ledger technology.

⁹⁶ Securities and Exchange Commission, *The Impact of Recent Technological Advances on the Securities Markets* (Sep. 1997), available at: <https://www.sec.gov/news/studies/techrp97.htm>.

⁹⁷ Id.

⁹⁸ Id.

use of the functionality of smart contracts and their ability to allocate and re-allocate Security balances in tokenized form across multiple addresses in connection with end-of-day Security position balance information of BSTX Participants will allow market participants to observe and increase their familiarity with the capabilities and potential benefits of blockchain technology in a context that parallels current equity market infrastructure and thereby advance and protect the public's interest in the use and development of new data processing techniques that may create opportunities for more efficient, effective and safe securities markets.⁹⁹ As noted, because the blockchain and Security balances recorded on the Ethereum blockchain in tokenized form do not reflect legal ownership of the actual securities of BSTX-listed issuers, any disruption to the Ethereum blockchain, the Security architecture, or the end-of-day reporting process would have no impact on the ability of Securities to trade on BSTX or otherwise, which the Exchange

⁹⁹ Report of the Senate Committee on Banking, Housing & Urban Affairs, S. Rep. No. 94-75, at 8 (1975) (expressing Congress' finding that new data processing and communications systems create the opportunity for more efficient and effective markets). While the Exchange believes that its proposal represents an introductory step in pairing the benefits of blockchain technology with the current equity market infrastructure, other market participants and FINRA have recognized additional potential benefits to blockchain technology in various applications related to the securities markets. FINRA has stated "[o]ne of the proposed benefits of [blockchain technology] is the ability to offer a timestamped, sequential, audit trail of transaction records. This may provide regulators and other interested parties (e.g., internal audit, public auditors) with the opportunity to leverage the technology to view the complete history of a transaction where it may not be available today and enhance existing records related to securities transactions." Financial Industry Regulatory Authority, Distributed Ledger Technology: Implications of Blockchain for the Securities Industry (January 2017), available at: https://www.finra.org/sites/default/files/FINRA_Blockchain_Report.pdf. Further, Paxos Trust Company echoed similar themes in connection with its receipt of no-action relief from the Commission staff, and explained in its request letter certain benefits of blockchain technology including "greater data accuracy and transparency, advanced security, and increased levels of availability and operational efficiency[.]" the Exchange believes such benefits may be generally relevant to future potential applications of blockchain technology. See Letter from Jeffrey S. Mooney, Division of Trading and Markets, Securities and Exchange Commission to Charles Cascarilla and Daniel Burstein, Paxos Trust Company, LLC re: Clearing Agency Registration Under Section 17A(b)(1) of the Securities Exchange Act of 1934 (October 28, 2019), available at: <https://www.sec.gov/divisions/marketreg/mr-noaction/2019/paxos-trust-company-102819-17a.pdf>.

believes furthers the protection of investors and the public interest, consistent with Section 6(b)(5) of the Exchange Act.¹⁰⁰

III. Proposed BSTX Rules

The discussion in this Part III addresses the proposed BSTX Rules that would be adopted as Rule Series 17000 through 28000.

A. General Provisions of BSTX and Definitions (Rule 17000 Series)

The Exchange proposes to adopt as its Rule 17000 Series (General Provisions of BSTX) a set of general provisions relating to the trading of Securities and other rules governing participation on BSTX. Proposed Rule 17000 sets forth the defined terms used throughout the BSTX Rules. The majority of the proposed definitions are substantially similar to defined terms used in other equities exchange rulebooks, such as with respect to the term “customer.”¹⁰¹ The Exchange proposes to set forth new definitions for certain terms to specifically identify systems, agreements, or persons as they relate to BSTX and as distinct from other Exchange systems, agreements, or persons that may be used in connection with the trading of other options on the Exchange.¹⁰² The Exchange also proposes to define certain unique terms relating to the trading

¹⁰⁰ 15 U.S.C. 78f(b)(5).

¹⁰¹ Proposed Rule 17000(a)(16) defines the term “customer” to not include a broker or dealer, which parallels the same definition in other exchange rulebooks. See e.g., IEX Rule 1.160(j). Similarly, the Exchange proposes to define the term “Regular Trading Hours” as the time between 9:30 a.m. and 4:00 p.m. Eastern Time. See proposed Rule 17000(a)(28) cf. IEX Rule 1.160(gg) (defining “Regular Market Hours” in the same manner).

¹⁰² For example, the Exchange proposes to define the term “BSTX” to mean the facility of the Exchange for executing transaction in Securities, the term “BSTX Participant” to mean a Participant or Options Participant (as those terms are defined in the Exchange’s Rule 100 Series) that is authorized to trade Securities, and the term “BSTX System” to mean the automated trading system used by BSTX for the trading of Securities. See proposed Rule 17000(a)(8), (11), and (14).

of Securities, including the term “Security” itself¹⁰³ and “Wallet Manager.”¹⁰⁴ The term “Wallet Manager” is defined to provide context to the wallet address whitelisting and end-of-day Security balance reporting processes used to update the Ethereum blockchain as an ancillary recordkeeping mechanism.¹⁰⁵

In addition to setting forth proposed definitions used throughout the proposed Rules, the Exchange proposes to specify in proposed Rule 17010 (Applicability) that the Rules set forth in the Rule 17000 Series to Rule 28000 Series apply to the trading, listing, and related matters pertaining to the trading of Securities. Proposed Rule 17010(b) provides that, unless specific Rules relating to Securities govern or unless the context otherwise requires, the provisions of any Exchange Rule (i.e., including Exchange Rules in the Rule 100 through 16000 Series) shall be applicable to BSTX Participants.¹⁰⁶ This is intended to make clear that BSTX Participants are subject to all of the Exchange’s Rules that may be applicable to them, notwithstanding that their trading activity may be limited solely to trading Securities. The Exchange believes that the proposed definitions set forth in Rule 17000 are consistent with Section 6(b)(5) of the Exchange

¹⁰³ Proposed Rule 17000(a)(30) provides that the term “Security” means a NMS stock, as defined in Rule 600(b)(47) of the Exchange Act, trading on the BSTX System and for which ancillary Ethereum blockchain records are maintained under the BSTX Rules. The proposed definition further specifies that references to a “security” or “securities” in the Rules may include Securities.

¹⁰⁴ Proposed Rule 17000(a)(31) defines the term “Wallet Manager” as a party approved by BSTX to operate software compatible with the BSTX Protocol. See also supra Sections II.G and H. for a discussion of the role of a Wallet Manager.

¹⁰⁵ See supra note 51.

¹⁰⁶ Proposed Rule 17010 further specifies that to the extent the provisions of the Rules relating to the trading of Securities contained in Rule 17000 Series to Rule 28000 Series are inconsistent with any other provisions of the Exchange Rules, the Rules relating to Security trading shall control.

Act¹⁰⁷ because they protect investors and the public interest by setting forth clear definitions that help BSTX Participants understand and apply Exchange Rules. Without clearly defining terms used in the Exchanges Rules and providing clarity as to the Exchange Rules that may apply, market participants could be confused as to the application of certain rules, which could cause harm to investors.

Proposed Rule 17020 sets forth the requirements to obtain a whitelisted wallet address from BSTX, and the end-of-day Security balance reporting, which are discussed in greater detail above in Parts II.G through L.

B. Participation on BSTX (Rule 18000 Series)

The Exchange proposes to adopt as its Rule 18000 Series (Participation on BSTX), three rules setting forth certain requirements relating to participation on BSTX. Proposed Rule 18000 (BSTX Participation) establishes “BSTX Participants” as a new category of Exchange participation for effecting transactions on the BSTX System, provided they: (i) complete the BSTX Participant Application, Participation Agreement, and User Agreement;¹⁰⁸ (ii) be an existing Options Participant or become a Participant of the Exchange pursuant to the Rule 2000 Series; and (iii) provide such other information as required by the Exchange.¹⁰⁹ Proposed Rule 18010 (Requirements for BSTX Participants) sets forth certain requirements for BSTX Participants including requirements that each BSTX Participant comply with Rule 15c3-1 under

¹⁰⁷ 15 U.S.C. 78f(b)(5).

¹⁰⁸ The BSTX Participant Application, Participation Agreement, and User Agreement are attached as Exhibits 3A, 3B, and 3C respectively.

¹⁰⁹ Proposed Rule 18000 also sets forth the Exchange’s review process regarding BSTX Participation Agreements and certain limitations on the ability to transfer BSTX Participant status (e.g., in the case of a change of control). In addition proposed Rule 18000(b)(2) provides that a BSTX Participant shall continue to abide by all applicable requirements of the Rule 2000 Series, which would include, for example, IM-2040-5, which specifies continuing education requirements of Exchange Participants and their associated persons.

the Exchange Act, comply with applicable books and records requirements, and be a member of a registered clearing agency or clear Security transactions through another BSTX Participant that is a member/participant of a registered clearing agency.¹¹⁰ Finally, proposed Rule 18020 (Associated Persons) provides that associated persons of a BSTX Participant are bound by the Rules of the Exchange to the same extent as each BSTX Participant.

The Exchange believes that the proposed Rule 18000 Series (Participation on BSTX) is consistent with Section 6(b)(5) of the Exchange Act¹¹¹ because these proposed rules are designed to promote just and equitable principles of trade, and protect investors and the public interest by setting forth the requirements to become a BSTX Participant and specifying that associated persons of a BSTX Participant are bound by Exchange Rules. Under proposed Rule 18000, a BSTX Participant must first become an Exchange Participant pursuant to the Exchange Rule 2000 Series which the Exchange believes would help assure that BSTX Participants meet the appropriate standards for trading on BSTX in furtherance of the protection of investors.¹¹²

C. Business Conduct for BSTX Participants (Rule 19000 Series)

The Exchange proposes to adopt as its Rule 19000 Series (Business Conduct for BSTX Participants), twenty two rules relating to business conduct requirements for BSTX Participants that are substantially similar to business conduct rules of other exchanges.¹¹³ The proposed Rule

¹¹⁰ Proposed Rule 18010(b) is similar to the rules of existing exchanges. See e.g., IEX Rule 2.160(c). Proposed Rule 18010(a) is also similar to the rules of existing exchanges. See e.g., IEX Rule 1.160(s) and Cboe BZX Rule 17.2(a).

¹¹¹ 15 U.S.C. 78f(b)(5).

¹¹² The Exchange notes that the approach of requiring members of a facility of an exchange to first become members of the exchange is consistent with the approach used by another national securities exchange. See Cboe BZX Rule 17.1(b)(3) (requiring that a Cboe BZX options member be an existing member or become a member of the Cboe BZX equities exchange pursuant to the Cboe BZX Chapter II Series).

¹¹³ See Cboe BZX Chapter 5 rules. See also IEX Rule 5.150 with respect to proposed Rule

19000 Series would specify business conduct requirements with respect to: (i) just and equitable principles of trade;¹¹⁴ (ii) adherence to law;¹¹⁵ (iii) use of fraudulent devices;¹¹⁶ (iv) false statements;¹¹⁷ (v) know your customer;¹¹⁸ (vi) fair dealing with customers;¹¹⁹ (vii) suitability;¹²⁰ (viii) the prompt receipt and delivery of securities;¹²¹ (ix) charges for services performed;¹²² (x) use of information obtained in a fiduciary capacity;¹²³ (xi) publication of transactions and

21040 (Prevention of the Misuse of Material, Non-Public Information).

¹¹⁴ Proposed Rule 19000 (Just and Equitable Principles of Trade) provides that no BSTX Participant, including its associated persons, shall engage in acts or practices inconsistent with just and equitable principles of trade.

¹¹⁵ Proposed Rule 19010 (Adherence to Law) generally requires BSTX Participants to adhere to applicable laws and regulatory requirements.

¹¹⁶ Proposed Rule 19020 (Use of Fraudulent Devices) generally prohibits BSTX Participants from effecting a transaction in any security by means of a manipulative, deceptive or other fraudulent device or contrivance.

¹¹⁷ Proposed Rule 19030 (False Statements) generally prohibits BSTX Participants and their associated persons from making false statements or misrepresentations in communications with the Exchange.

¹¹⁸ Proposed Rule 19040 (Know Your Customer) requires BSTX Participants to comply with FINRA Rule 2090 as if such rule were part of the Exchange Rules.

¹¹⁹ Proposed Rule 19050 (Fair Dealing with Customers) generally requires BSTX Participants to deal fairly with customers and specifies certain activities that would violate the duty of fair dealing (e.g., churning or overtrading in relation to the objectives and financial situation of a customer).

¹²⁰ Proposed Rule 19060 (Suitability) provides that BSTX Participants and their associated persons shall comply with FINRA Rule 2111 as if such rule were part of the Exchange Rules.

¹²¹ Proposed Rule 19070 (Prompt Receipt and Delivery of Securities) would generally prohibit a BSTX Participant from accepting a customer's purchase order for a security until it can determine that the customer agrees to receive the securities against payment.

¹²² Proposed Rule 19080 (Charges for Services Performed) generally requires that charges imposed on customers by broker-dealers shall be reasonable and not unfairly discriminatory.

¹²³ Proposed Rule 19090 (Use of Information Obtained in a Fiduciary Capacity) generally restricts the use of information as to the ownership of securities when acting in certain capacities (e.g., as a trustee).

quotations;¹²⁴ (xii) offers at stated prices;¹²⁵ (xiii) payments involving publications that influence the market price of a security;¹²⁶ (xiv) customer confirmations;¹²⁷ (xv) disclosure of a control relationship with an issuer of Securities;¹²⁸ (xvi) discretionary accounts;¹²⁹ (xvii) improper use of customers' securities or funds and a prohibition against guarantees and sharing in accounts;¹³⁰ (xviii) the extent to which sharing in accounts is permissible;¹³¹ (xix) communications with customers and the public;¹³² (xx) gratuities;¹³³ (xxi) telemarketing;¹³⁴ and (xxii) mandatory

¹²⁴ Proposed Rule 19100 (Publication of Transactions and Quotations) generally prohibits a BSTX Participant from disseminating a transaction or quotation information unless the BSTX Participant believes it to be bona fide.

¹²⁵ Proposed Rule 19110 (Offers at Stated Prices) generally prohibits a BSTX Participant from offering to transact in a security at a stated price unless it is in fact prepared to do so.

¹²⁶ Proposed Rule 19120 (Payments Involving Publications that Influence the Market Price of a Security) generally prohibits direct or indirect payments with the aim of disseminating information that is intended to effect the price of a security.

¹²⁷ Proposed Rule 19130 (Customer Confirmations) requires that BSTX Participants comply with Rule 10b-10 of the Exchange Act. 17 CFR 240.10b-10.

¹²⁸ Proposed Rule 19140 (Disclosure of Control Relationship with Issuer) generally requires BSTX Participants to disclose any control relationship with an issuer of a security before effecting a transaction in that security for the customer.

¹²⁹ Proposed Rule 19150 (Discretionary Accounts) generally provides certain restrictions on BSTX Participants handling of discretionary accounts, such as by effecting excessive transactions or obtained authorization to exercise discretionary powers.

¹³⁰ Proposed Rule 19160 (Improper Use of Customers' Securities or Funds and Prohibition against Guarantees and Sharing in Accounts) generally prohibits BSTX Participants from making improper use of customers securities or funds and prohibits guarantees to customers against losses.

¹³¹ Proposed Rule 19170 (Sharing in Accounts; Extent Permissible) generally prohibits BSTX Participants and their associated persons from sharing directly or indirectly in the profit or losses of the account of a customer unless certain exceptions apply such as where an associated person receives prior written authorization from the BSTX Participant with which he or she is associated.

¹³² Proposed Rule 19180 (Communications with Customers and the Public) generally provides that BSTX Participants and their associated persons shall comply with FINRA Rule 2210 as if such rule were part of the Exchange Rules.

¹³³ Proposed Rule 19200 (Gratuities) requires BSTX Participants to comply with the

systems testing.¹³⁵ The Exchange notes that the proposed financial responsibility rules are virtually identical to those of other national securities exchanges other than changes to defined terms and certain other provisions that would not apply to the trading of Securities on the BSTX System.¹³⁶

The Exchange believes that the proposed Rule 19000 Series (Business Conduct) is consistent with Section 6(b)(5) of the Exchange Act¹³⁷ because these proposed rules are designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, and protect investors and the public interest by setting forth appropriate standards of conduct applicable to BSTX Participants in carrying out their business activities. For example, proposed Rule 19000 (Just and Equitable Principles of Trade) and 19010 (Adherence to Law) would prohibit BSTX Participants from engaging in acts or practices inconsistent with just and equitable principles of trade or that would violate applicable laws and regulations. Similarly, proposed Rule 19050 (Fair Dealing with Customers) would require that BSTX Participants deal fairly with their customers and proposed Rule 19030 (False Statements) would generally prohibit BSTX Participants, or their associated persons from making false statements or misrepresentations to the Exchange. The Exchange believes that requiring that BSTX

requirements set forth in BOX Exchange Rule 3060 (Gratuities).

¹³⁴ Proposed Rule 19210 (Telemarketing) requires that BSTX Participants and their associated persons comply with FINRA Rule 3230 as if such rule were part of the Exchange's Rules.

¹³⁵ Proposed Rule 19220 (Mandatory Systems Testing) requires that BSTX Participants comply with Exchange Rule 3180 (Mandatory Systems Testing).

¹³⁶ For example, the Exchange is not proposing to adopt a rule contained in other exchanges' business conduct rules relating to disclosures that broker-dealers give to their customers regarding the risks of effecting securities transactions during times other than during regular trading hours (e.g., higher volatility, possibly lower liquidity) because executions may only occur during regular trading hours on the BSTX System. See e.g., IEX Rule 3.290, Cboe BZX Rule 3.21.

¹³⁷ 15 U.S.C. 78f(b)(5).

Participants comply with the proposed business conduct rules in the Rule 19000 Series would further the protection of investors and the public interest by promoting high standards of commercial honor and integrity. In addition, each of the rules in the proposed Rule 19000 Series (Business Conduct) is substantially similar to supervisory rules of other exchanges.¹³⁸

D. Financial and Operational Rules for BSTX Participants (Rule 20000 Series)

The Exchange proposes to adopt as its Rule 20000 Series (Financial and Operational Rules), ten rules relating to financial and operational requirements for BSTX Participants that are substantially similar to financial and operational rules of other exchanges.¹³⁹ The proposed Rule 20000 Series would specify financial and operational requirements with respect to: (i) maintenance and furnishing of books and records;¹⁴⁰ (ii) financial reports;¹⁴¹ (iii) net capital compliance;¹⁴² (iv) early warning notifications pursuant to Rule 17a-11 under the Exchange Act;¹⁴³ (v) authority of the Chief Regulatory Officer to impose certain restrictions;¹⁴⁴ (vi)

¹³⁸ See supra note 113.

¹³⁹ See Cboe BZX Chapter 6 rules and IEX Chapter 5 rules.

¹⁴⁰ Proposed Rule 20000 (Maintenance, Retention and Furnishing of Books, Records and Other Information) requires that BSTX Participants comply with current Exchange Rule 1000 (Maintenance, Retention and Furnishing of Books, Records and Other Information) and that BSTX Participants shall submit to the Exchange order, market and transaction data as the Exchange may specify by Information Circular.

¹⁴¹ Proposed Rule 20010 (Financial Reports) provides that BSTX Participants shall comply with the requirements of current Exchange Rule 10020 (Financial Reports).

¹⁴² Proposed Rule 20020 (Capital Compliance) provides that each BSTX Participant subject to Rule 15c3-1 under the Exchange Act (17 CFR 240.15c3-1) shall comply with such rule and other financial and operational rules contained in the proposed Rule 20000 series.

¹⁴³ 17 CFR 240.17a-11. Proposed Rule 20030 (“Early Warning” Notification) provides that BSTX Participants subject to the reporting or notifications requirements of Rule 17a-11 under the Exchange Act (17 CFR 240.17a-11) or similar “early warning” requirements imposed by other regulators shall provide the Exchange with certain reports and financial statements.

margin;¹⁴⁵ (vii) day-trading margin;¹⁴⁶ (viii) customer account information;¹⁴⁷ (ix) maintaining records of customer complaints;¹⁴⁸ and (x) disclosure of financial condition.¹⁴⁹

The Exchange believes that the proposed Rule 20000 (Financial and Operational Rules) Series is consistent with Section 6(b)(5) of the Exchange Act¹⁵⁰ because these proposed rules are designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, and protect investors and the public interest by subjecting BSTX Participants to certain recordkeeping, disclosure, and related requirements designed to ensure that BSTX Participants conduct themselves in a financially responsible manner. For example, proposed Rule 20000 would require BSTX Participants to comply with existing Exchange Rule 1000, which sets forth certain recordkeeping responsibilities and the obligation to furnish these to the Exchange upon request so that the Exchange can appropriately monitor the financial condition of a BSTX Participant and its compliance with applicable regulatory requirements. Similarly, proposed Rule 20050 would set forth the margin requirements that BSTX Participants must

¹⁴⁴ Proposed Rule 20040 (Power of CRO to Impose Restrictions) generally provides that the Exchange's Chief Regulatory Officer may impose restrictions and conditions on a BSTX Participant subject to the early warning notification requirements under certain circumstances.

¹⁴⁵ Proposed Rule 20050 (Margin) sets forth the required margin amounts for certain securities held in a customer's margin account.

¹⁴⁶ Proposed Rule 20060 (Day Trading Margin) sets forth additional requirements with respect to customers that engage in day trading.

¹⁴⁷ Proposed Rule 20070 (Customer Account Information) requires that BSTX Participants comply with FINRA Rule 4512 as if such rule were part of the Exchange Rules and further clarifies certain cross-references within FINRA Rule 4512.

¹⁴⁸ Proposed Rule 20080 (Record of Written Customer Complaints) requires that BSTX Participants comply with FINRA Rule 4513 as if such rule were part of the Exchange Rules.

¹⁴⁹ Proposed Rule 20090 (Disclosure of Financial Condition) generally requires that BSTX Participants make available certain information regarding the BSTX Participant's financial condition upon request of a customer.

¹⁵⁰ 15 U.S.C. 78f(b)(5).

retain with respect to customers trading in a margin account to ensure that BSTX Participants are not extending credit to customers in a manner that might put the financial condition of the BSTX Participant in jeopardy. Each of the proposed rules in the Rule 20000 Series (Financial and Operational Rules) is substantially similar to existing rules of other exchanges or incorporates an existing rule of the Exchange or another self-regulatory organization (“SRO”) by reference.

E. Supervision (Rule 21000 Series)

The Exchange proposes to adopt as its Rule 21000 Series (Supervision), six rules relating to certain supervisory requirements for BSTX Participants that are substantially similar to supervisory rules of other exchanges.¹⁵¹ The Proposed Rule 21000 Series would specify supervisory requirements with respect to: (i) enforcing written procedures to appropriately supervise the BSTX Participant’s conduct and compliance with applicable regulatory requirements;¹⁵² (ii) designation of an individual to carry out written supervisory procedures;¹⁵³ (iii) maintenance and keeping of records carrying out the BSTX Participant’s written supervisory procedures;¹⁵⁴ (iv) review of activities of each of a BSTX Participant’s offices, including periodic examination of customer accounts to detect and prevent irregularities or abuses;¹⁵⁵ (v) the prevention of the misuse of material non-public information;¹⁵⁶ and (vi) implementation of an

¹⁵¹ See Cboe BZX Chapter 5 rules. See also IEX Rule 5.150 with respect to proposed Rule 21040 (Prevention of the Misuse of Material, Non-Public Information).

¹⁵² Proposed Rule 21000 (Written Procedures).

¹⁵³ Proposed Rule 21010 (Responsibility of BSTX Participants) would also require that a copy of a BSTX’s written supervisory procedures be kept in each office and makes clear that final responsibility for proper supervision rests with the BSTX Participant.

¹⁵⁴ Proposed Rule 21020 (Records).

¹⁵⁵ Proposed Rule 21030 (Review of Activities).

¹⁵⁶ Proposed Rule 21040 (Prevention of the Misuse of Material, Non-Public Information) generally requires BSTX Participants to enforce written procedures designed to prevent misuse of material non-public information and sets forth examples of conduct that would constitute a

anti-money laundering (“AML”) compliance program.¹⁵⁷ These rules are designed to ensure that BSTX Participants are able to appropriately supervise their business activities, review and maintain records with respect to such supervision, and enforce specific procedures relating to insider-trading and AML.

The Exchange believes that the proposed Rule 21000 (Supervision) Series is consistent with Section 6(b)(5) of the Exchange Act¹⁵⁸ because these proposed rules are designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, and protect investors and the public interest by ensuring that BSTX Participants have appropriate supervisory controls in place to carry out their business activities in compliance with applicable regulatory requirements. For example, proposed Rule 21000 (Written Procedures) would require BSTX Participants to enforce written procedures which enable them to supervise the activities of their associated persons and proposed Rule 21010 (Responsibility of BSTX Participants) would require a BSTX Participant to designate a person in each office to carry out written supervisory procedures. Requiring appropriate supervision of a BSTX Participant’s business activities and associated persons would promote compliance with the federal securities laws and other applicable regulatory requirements in furtherance of the protection of investors and the public interest.¹⁵⁹ In addition, each of the rules in the proposed Rule 21000 Series (Supervision) is

misuse of material, non-public information.

¹⁵⁷ Proposed Rule 21050 (Anti-Money Laundering Compliance Program). The Exchange already has rules with respect to Exchange Participants enforcing an AML compliance program set forth in Exchange Rule 10070 (Anti-Money Laundering Compliance Program), so proposed Rule 21050 specifies that BSTX Participants shall comply with the requirements of that pre-existing rule.

¹⁵⁸ 15 U.S.C. 78f(b)(5).

¹⁵⁹ Id.

substantially similar to supervisory rules of other exchanges.¹⁶⁰

F. Miscellaneous Provisions (Rule 22000 Series)

The Exchange proposes to adopt as its Rule 22000 Series (Miscellaneous Provisions), six rules relating to a variety of miscellaneous requirements applicable to BSTX Participants that are substantially similar to rules of other exchanges.¹⁶¹ These miscellaneous provisions relate to: (i) comparison and settlement requirements;¹⁶² (ii) failures to deliver and failures to receive;¹⁶³ (iii) forwarding of proxy and other issuer-related materials;¹⁶⁴ (iv) commissions;¹⁶⁵ (v) regulatory services agreements;¹⁶⁶ and (vi) transactions involving Exchange employees.¹⁶⁷ These rules are

¹⁶⁰ See supra note 151.

¹⁶¹ See Cboe BZX Chapter 13 rules. See also IEX Rule 6.180 with respect to proposed Rule 22050 (Transactions Involving BOX Employees).

¹⁶² Proposed Rule 22000 (Comparison and Settlement Requirements) provides that a BSTX Participant that is a member of a registered clearing agency shall implement comparison and settlement procedures as may be required under the rules of such entity. The proposed rule would further provide that, notwithstanding this general provision, the Board may extend or postpone the time of delivery of a BSTX transaction whenever the Board determines that it is called for by the public interest, just and equitable principles of trade or to address unusual conditions. In such a case, delivery will occur as directed by the Board.

¹⁶³ Proposed Rule 22010 (Failure to Deliver and Failure to Receive) provides that borrowing and deliveries must be effected in accordance with Rule 203 of Regulation SHO (17 CFR 242.203) and incorporates Rules 200 – 203 of Regulation SHO by reference into the rule (17 CFR §§ 242.200 – 203).

¹⁶⁴ Proposed Rule 22020 (Forwarding of Proxy and Other Information; Proxy Voting) generally provides that BSTX Participants shall forward proxy materials when requested by an issuer and sets forth certain conditions and limitations for BSTX Participants to give a proxy to vote stock that is registered in its name.

¹⁶⁵ Proposed Rule 22030 (Commissions) provides that the Exchange Rules or practices shall not be construed to allow a BSTX Participant or its associated persons to agree or arrange for the charging of fixed rates commissions for transactions on the Exchange.

¹⁶⁶ Proposed Rule 22040 (Regulatory Service Agreement) provides that the Exchange may enter into regulatory services agreements with other SROs to assist in carrying out regulatory functions, but the Exchange shall retain ultimate legal responsibility for, and control of, its SRO responsibilities.

designed to capture additional regulatory requirements applicable to BSTX Participants, such as setting forth their obligation to deliver proxy materials at the request of an issuer and to incorporate by reference Rule 200 – 203 of Regulation SHO.¹⁶⁸

The Exchange believes that the proposed Rule 22000 (Miscellaneous Provisions) Series is consistent with Section 6(b)(5) of the Exchange Act¹⁶⁹ because these proposed rules are designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, and protect investors and the public interest by ensuring that BSTX Participants comply with additional regulatory requirements, such as Rule 203 of Regulation SHO¹⁷⁰ as provided in proposed Rule 22010 (Failure to Deliver and Failure to Receive), in connection with their participation on BSTX. For example, proposed Rule 22030 (Commissions) prohibits BSTX Participants from charging fixed rates of commissions for transactions on the Exchange consistent with Section 6(e)(1) of the Exchange Act.¹⁷¹ Similarly, proposed Rule 22050 (Transactions involving Exchange Employees) sets forth certain requirements and prohibitions relating to a BSTX Participant providing certain financial services to an Exchange employee, which the Exchange believes helps prevent potentially fraudulent and manipulative acts and practices and furthers the protection of investors and the public interest.

G. Trading Practice Rules (Rule 23000 Series)

¹⁶⁷ Proposed Rule 22040 (Transactions Involving Exchange Employees) sets forth conditions and limitations on a BSTX Participant providing loans or supporting the account of an Exchange employee (e.g., promptly obtaining and implementing an instruction from the employee to provide duplicate account statement to the Exchange) in order to mitigate any potential conflicts of interest that might arise from such a relationship.

¹⁶⁸ 17 CFR §§ 242.200 – 203.

¹⁶⁹ 15 U.S.C. 78f(b)(5).

¹⁷⁰ 17 CFR 242.203.

¹⁷¹ 15 U.S.C. 78f(e)(1).

The Exchange proposes to adopt as its Rule 23000 Series (Trading Practice Rules), 14 rules relating to trading practice requirements for BSTX Participants that are substantially similar to trading practice rules of other exchanges.¹⁷² The proposed Rule 23000 series would specify trading practice requirements related to: (i) market manipulation; (ii) fictitious transactions; (iii) excessive sales by a BSTX Participant; (iv) manipulative transactions; (v) dissemination of false information; (vi) prohibition against trading ahead of customer orders; (vii) joint activity; (viii) influencing data feeds; (ix) trade shredding; (x) best execution; (xi) publication of transactions and changes; (xii) trading ahead of research reports; (xiii) front running of block transactions; and (xiv) a prohibition against disruptive quoting and trading activity. The purpose of the trading practice rules is to set forth standards and rules relating to the trading conduct of BSTX Participants, primarily with respect to prohibiting forms of market manipulation and specifying certain obligations broker-dealers have to their customers, such as the duty of best execution. For example, proposed Rule 23000 (Market Manipulation) sets forth a general prohibition against a BSTX Participant purchasing a security at successively higher prices or sales of a security at successively lower prices, or to otherwise engage in activity for the purpose of creating or inducing a false, misleading or artificial appearance of activity in such security.¹⁷³ Proposed Rule 23010 (Fictitious Transactions) similarly prohibits BSTX Participants from fictitious transaction activity, such as executing a transaction which involves no beneficial change in ownership, and proposed Rule 23020 (Excessive Sales by a BSTX Participant) prohibits a BSTX Participant from executing purchases or sales in any security trading on the

¹⁷² See Cboe BZX Chapter 12 rules.

¹⁷³ Proposed Rule 23030 (Manipulative Transactions) specifies further prohibitions relating to potential manipulation by prohibiting BSTX Participants from, among other things, participating or having any direct or indirect interest in the profits of a manipulative operation or knowingly managing or financing a manipulative operation.

Exchange for any account in which it has an interest, which are excessive in view of the BSTX Participant's financial resources or in view of the market for such security.¹⁷⁴ Proposed Rule 23060 (Joint Activity) prohibits a BSTX Participant from directly or indirectly holding any interest or participation in any joint account for buying or selling a security traded on the Exchange unless reported to the Exchange with certain information provided and proposed Rule 23090 (Best Execution) reaffirms BSTX Participants best execution obligations to their customers.¹⁷⁵

Proposed Rule 23050 (Prohibition against Trading Ahead of Customer Orders) is substantially similar to FINRA 5320 and rules adopted by other exchanges,¹⁷⁶ and generally prohibits BSTX Participants from trading ahead of customer orders unless certain enumerated exceptions are available and requires BSTX Participants to have a written methodology in place governing execution priority to ensure compliance with the Rule. The Exchange proposes to

¹⁷⁴ Other proposed rules relating to potential manipulation include: (i) Rule 23040 (Dissemination of False Information), which generally prohibits, consistent with Exchange Rule 3080, BSTX Participants from spreading information that is false or misleading; (ii) Rule 23070 (Influencing Data Feeds), which generally prohibits transactions to influence data feeds; (iii) Rule 23080 (Trade Shredding), which generally prohibits conduct that has the intent or effect of splitting any order into multiple smaller orders for the primary purpose of maximizing remuneration to the BSTX Participant; (iv) Rule 23110 (Trading Ahead of Research Reports), which generally prohibits BSTX Participants from trading based on non-public advance knowledge of a research report and requires BSTX Participants to enforce policies and procedures to limit information flow from research personnel to trading personnel that might trade on such information; (v) Rule 23120 (Front Running Block Transactions), which incorporates FINRA Rule 5270 as though it were part of the Exchange's Rules; and (vi) Rule 23130 (Disruptive Quoting and Trading Activity Prohibited), which incorporates Exchange Rule 3220 by reference.

¹⁷⁵ In addition, proposed Rule 23100 (Publication of Transactions and Changes) provides that the Exchange will disseminate transaction information to appropriate data feeds, BSTX participants must provide information necessary to facilitate the dissemination of such information, and that an Exchange official shall be responsible for approving corrections to any reports transmitted over data feeds.

¹⁷⁶ See e.g., Cboe BZX Rule 12.6.

adopt each of the exceptions to the prohibition against trading ahead of customer orders as provided in FINRA Rule 5320 other than the exception related to trading outside of normal market hours, since trading on the Exchange would be limited to regular trading hours.

The Exchange proposes to adopt the order handling procedures requirement in proposed Rule 23050(i) consistent with the rules of other exchanges.¹⁷⁷ Specifically, proposed Rule 23050(i) would provide that a BSTX Participant must make every effort to execute a marketable customer order that it receives fully and promptly and must cross customer orders when they are marketable against each other consistent with the proposed Rule.

The Exchange proposes to adopt a modified version of the exception set forth in FINRA Rule 5320.06 relating to minimum price improvement standards as proposed in Rule 23050(h). Under proposed Rule 23050(h), BSTX Participants would be permitted to execute an order on a proprietary basis when holding an unexecuted limit order in that same security without being required to execute the held limit order provided that they give price improvement of \$0.01 to the unexecuted held limit order. While FINRA Rule 5320.06 sets forth alternate, lower price improvement standards for securities priced below \$1, the Exchange proposes to adopt a uniform price improvement requirement of \$0.01 for securities traded on the BSTX System consistent with the Exchange's proposed uniform minimum price variant of \$0.01 set forth in proposed Rule 25030.

In addition, the Exchange proposes to adopt an exception for bona fide error transactions as proposed in Rule 25030(g) which would allow a BSTX Participant to trade ahead of a customer order if the trade is to correct a bona fide error, as defined in the rule. This proposed

¹⁷⁷ See e.g., Cboe BZX Rule 12.6.07.

exception is nearly identical to similar exceptions of other exchanges¹⁷⁸ except that other exchange rules also provide an exception whereby firms may submit a proprietary order ahead of a customer order to offset a customer order that is in an amount other than a round lot (i.e., 100 shares). The Exchange is not adopting an exception for odd-lot orders under these circumstances because the minimum unit of trading for Securities pursuant to proposed Rule 25020 is one Security. The Exchange believes that there may be a notable amount of trading in amounts of less than 100 Securities (i.e., trading in odd-lot amounts), and the Exchange accordingly does not believe that it is appropriate to allow BSTX Participants to trade ahead of customer orders just to offset an odd-lot customer order.

The Exchange believes that the proposed Rule 23000 Series relating to trading practice rules is consistent with Section 6(b)(5) of the Exchange Act¹⁷⁹ because these proposed rules are designed to prevent fraudulent and manipulative acts and practices that could harm investors and to promote just and equitable principles of trade. The proposed rules in the Rule 23000 Series are substantially similar to the rules of other exchanges and generally include a variety of prohibitions against types of trading activity or other conduct that could potentially be manipulative, such as prohibitions against market manipulation, fictitious transactions, and the dissemination of false information. The Exchange has proposed to exclude certain provisions from, or make certain modifications to, comparable rules of other SROs, as detailed above, in order to account for certain unique aspects related to the proposed trading of Securities. The Exchange believes that it is consistent with applicable requirements under the Exchange Act to exclude these provisions and exceptions because they set forth requirements that would not apply

¹⁷⁸ See e.g., Cboe BZX Rule 12.5.05.

¹⁷⁹ 15 U.S.C. 78f(b)(5).

to BSTX Participants trading in Securities and are not necessary for the Exchange to carry out its functions of facilitating Security transactions and regulating BSTX Participants.

H. Disciplinary Rules (Rule 24000 Series)

With respect to disciplinary matters, the Exchange proposes to adopt Rule 24000 (Discipline and Summary Suspension), which provides that the provisions of the Exchange Rule 11000 Series (Summary Suspension), 12000 Series (Discipline), 13000 Series (Review of Certain Exchange Actions), and 14000 Series (Arbitration) of the Exchange Rules shall be applicable to BSTX Participants and trading on the BSTX System. The Exchange already has Rules pertaining to discipline and suspension of Exchange Participants that it proposes to extend to BSTX Participants and trading on the BSTX System. The Exchange also proposes to adopt as Rule 24010 a minor rule violation plan with respect to transactions on BSTX.¹⁸⁰

Proposed Rule 24000 incorporates by reference existing rules that have already been approved by the Commission.

I. Trading Rules and the BSTX System (Rule 25000 Series)

1. Rule 25000 – Access to and Conduct on the BSTX Marketplace

The Exchange proposes to adopt Rule 25000 (Access to and Conduct on the BSTX Marketplace) to set forth rules relating to access to the BSTX System and certain conduct requirements applicable to BSTX Participants. Specifically, proposed Rule 25000 provides that only BSTX Participants, including their associated persons, that are approved for trading on the BSTX System shall effect any transaction on the BSTX System. Proposed Rule 25000(b) generally requires that a BSTX Participant maintain a list of authorized traders that may obtain access to the BSTX System on behalf of the BSTX Participant, have procedures in place

¹⁸⁰ The proposed additions to the Exchange's minor rule violation plan pursuant to proposed Rule 24010 are discussed below in Part IV.

reasonably designed to ensure that all authorized traders comply with Exchange Rules and to prevent unauthorized access to the BSTX System, and to provide the list of authorized traders to the Exchange upon request. Proposed Rule 25000(c) and (d) restate provisions that are already set forth in Exchange Rule 7000, generally providing that BSTX Participants shall not engage in conduct that is inconsistent with the maintenance of a fair and orderly market or the ordinary and efficient conduct of business, as well as conduct that is likely to impair public confidence in the operations of the Exchange. Examples of such prohibited conduct include failure to abide by a determination of the Exchange, refusal to provide information requested by the Exchange, and failure to adequately supervise employees. Proposed Rule 25000(f) provides the Exchange with authority to suspend or terminate access to the BSTX System under certain circumstances.

The Exchange believes that proposed Rule 25000 is consistent with Section 6(b)(5) of the Exchange Act¹⁸¹ because it is designed to protect investors and the public interest and promote just and equitable principles of trade by ensuring that BSTX Participants would not allow for unauthorized access to the BSTX System and would not engage in conduct detrimental to the maintenance of fair and orderly markets.

2. Rule 25010 – Days/Hours

Proposed Rule 25010 sets forth the days and hours during which BSTX would be open for business and during which transactions may be effected on the BSTX System. Under the proposed rule, transactions may be executed on the BSTX System between 9:30 a.m. and 4:00 p.m. Eastern Time. The proposed rule also specifies certain holidays BSTX would be not be open (e.g., New Year's Day) and provides that the Chief Executive Officer, President, or Chief Regulatory Officer of the Exchange, or such person's designee who is a senior officer of the

¹⁸¹ 15 U.S.C. 78f(b)(5).

Exchange, shall have the power to halt or suspend trading in any Securities, close some or all of BSTX's facilities, and determine the duration of any such halt, suspension, or closing, when such person deems the action necessary for the maintenance of fair and orderly markets, the protection of investors, or otherwise in the public interest.

The Exchange believes that proposed Rule 25010 is designed to protect investors and the public interest, consistent with Section 6(b)(5) of the Exchange Act,¹⁸² by setting forth the days and hours that trades may be effected on the BSTX System and by providing officers of the Exchange with the authority to halt or suspend trading when such officers believe that such action is necessary or appropriate to maintain fair and orderly markets or to protect investors or in the public interest.

3. Rule 25020 – Units of Trading

Proposed Rule 25020 sets forth the minimum unit of trading on the BSTX System, which shall be one Security. The Exchange believes that proposed Rule 25020 is consistent with Section 6(b)(5) of the Exchange Act¹⁸³ because it fosters cooperation and coordination of persons engaged in facilitating transactions in securities by specifying the minimum unit of trading of Securities on the BSTX System. In addition, other exchanges similarly provide that the minimum unit of trading is one share for their market and/or for certain securities.¹⁸⁴

4. Rule 25030 – Minimum Price Variant

Proposed Rule 25030 provides the minimum price variant for Securities shall be \$0.01. The Exchange believes that proposed Rule 25030 is consistent with Section 6(b)(5) of the Exchange Act because it fosters cooperation and coordination of persons engaged in facilitating

¹⁸² 15 U.S.C. 78f(b)(5).

¹⁸³ 15 U.S.C. 78f(b)(5).

¹⁸⁴ See e.g., IEX Rule 11.180.

transactions in securities by specifying the minimum price variant for Securities and promotes compliance with Rule 612 of Regulation NMS.¹⁸⁵ Under Rule 612 of Regulation NMS, the Exchange is, among other things, prohibited from displaying, ranking or accepting from any person a bid or offer or order in an NMS stock in an increment smaller than \$0.01 if that bid or offer or order is priced equal to or greater than \$1.00 per share. Where a bid or offer or order is priced less than or equal to \$1.00 per share, the minimum acceptable increment is \$0.0001. Proposed Rule 25030 sets a uniform minimum price variant for all Securities of \$0.01 irrespective of whether the Security is trading below \$1.00.

5. Rule 25040 – Opening the Marketplace

Proposed Rule 25040 sets forth the opening process for the BSTX System for BSTX-listed Securities and non-BSTX-listed securities. For BSTX-listed Securities, the Exchange proposes to allow for order entry to commence at 8:30 a.m. ET during the Pre-Opening Phase. Proposed Rule 25040(a) provides that orders will not execute during the Pre-Opening Phase, which lasts until regular trading hours begin at 9:30 a.m. ET.¹⁸⁶ Similar to how the Exchange's opening process works for options trading, BSTX would disseminate a theoretical opening price ("TOP") to BSTX Participants, which is the price at which the opening match would occur at a given moment in time.¹⁸⁷ Under the proposed rule, the Exchange will also broadcast other information during the Pre-Opening Phase. Specifically, in addition to the TOP, the Exchange would disseminate pursuant to proposed Rule 25040(a)(3): (i) "Paired Securities," which is the quantity of Securities that would execute at the TOP; (ii) the "Imbalance Quantity," which is the

¹⁸⁵ 17 CFR 242.611.

¹⁸⁶ As a result, orders marked IOC submitted during the Pre-Opening Phase will be rejected by the BSTX System. See proposed Rule 25040(a)(7).

¹⁸⁷ The TOP can only be calculated where the BSTX Book is crossed during the Pre-Opening Phase. See proposed Rule 25040(a)(2).

number of Securities that may not be matched with other orders at the TOP at the time of dissemination; and (iii) the “Imbalance Side,” which is the buy/sell direction of any imbalance at the time of dissemination (collectively, with the TOP, “Broadcast Information”).¹⁸⁸ Broadcast Information will be recalculated and disseminated every time a new order is received or cancelled and where such event causes the TOP or Paired Securities to change. With respect to priority during the opening match for all Securities, consistent with proposed Rule 25080 (Execution and Price/Time Priority), among multiple orders at the same price, execution priority during the opening match is determined based on the time the order was received by the BSTX System.

Consistent with the manner in which the Exchange opens options trading, the BSTX System would determine a single price at which a BSTX-listed Security will be opened by calculating the optimum number of Securities that could be matched at a price, taking into consideration all the orders on the BSTX Book.¹⁸⁹ Proposed Rule 25040(a)(5) provides that the opening match price is the price which results in the matching of the highest number of Securities. If two or more prices would satisfy this maximum quantity criteria, the price leaving the fewest resting Securities in the BSTX Book will be selected at the opening price and where two or more prices would satisfy the maximum quantity criteria and leave the fewest Securities in the BSTX Book, the price closest to the previous day’s closing price will be selected.¹⁹⁰

¹⁸⁸ Pursuant to proposed Rule 25040(a)(3), any orders which are at a better price (*i.e.*, bid higher or offer lower) than the TOP will be shown only as a total quantity on the BSTX Book at a price equal to the TOP.

¹⁸⁹ See proposed Rule 25040(a)(4)(ii).

¹⁹⁰ With respect to an initial public offering of a Security where there is no previous day’s closing price, the opening price will be the price assigned to the Security by the underwriter for the offering, referred to as the “Initial Security Offering Reference Price.” See Proposed Rule 25040(a)(5)(ii)(3).

Unexecuted trading interest during the opening match will move to the BSTX Book and will preserve price time priority.¹⁹¹ When the BSTX System cannot determine an opening price of a BSTX-listed Security at the start of regular trading hours, BSTX would nevertheless open the Security for trading and move all trading interest received during the Pre-Opening Phase to the BSTX Book.¹⁹²

For initial public offerings of Securities (“Initial Security Offerings”), the process will be generally the same as regular market openings. However, in advance of an Initial Security Offering auction (“Initial Security Offering Auction”), the Exchange shall announce a “Quote-Only Period” that shall be between fifteen (15) and thirty (30) minutes plus a short random period prior to the Initial Security Offering Auction.¹⁹³ The Quote-Only Period may be extended in certain cases.¹⁹⁴ As with regular market openings the Exchange would disseminate Broadcast Information at the commencement of the Quote Only Period, and Broadcast Information would be re-calculated and disseminated every time a new order is received or cancelled and where such event causes the TOP price or Paired Securities to change.¹⁹⁵ In the event of any extension to the Quote-Only Period or a trading pause, the Exchange will notify market participants regarding the circumstances and length of the extension.¹⁹⁶ Orders will be matched and executed

¹⁹¹ See proposed Rule 25040(a)(6).

¹⁹² Id.

¹⁹³ See proposed Rule 25040(b)(1).

¹⁹⁴ Such cases are when: (i) there is no TOP; (ii) the underwriter requests an extension; (iii) the TOP moves the greater of 10% or fifty (50) cents in the fifteen (15) seconds prior to the initial cross; or (iv) in the event of a technical or systems issue at the Exchange that may impair the ability of BSTX Participants to participate in the Initial Security Offering or of the Exchange to complete the Initial Security Offering. See proposed Rule 25040(b)(2).

¹⁹⁵ See proposed Rule 25040(b)(3).

¹⁹⁶ See proposed Rule 25040(b)(4). The Exchange also proposes that if a trading pause is triggered by the Exchange or if the Exchange is unable to reopen trading at the end of the trading

at the conclusion of the Quote-Only Period, rather than at 9:30 a.m. Eastern Time.¹⁹⁷ Following the initial cross at the end of the Quote-Only Period wherein orders will execute based on price/time priority consistent with proposed Rule 25080, the Exchange will transition to normal trading pursuant to proposed Rule 25040(a)(6).¹⁹⁸

The Exchange also proposes a process for reopening trading following a Limit Up-Limit Down Halt or trading pause (“Halt Auctions”). For Halt Auctions, the Exchange proposes that in advance of reopening, the Exchange shall announce a Quote-Only Period that shall be five (5) minutes prior to the Halt Auction.¹⁹⁹ This Quote-Only Period may be extended in certain circumstances.²⁰⁰ The Exchange proposes to disseminate the same Broadcast Information as it does for an Initial Security Offering Auction and would similarly provide notification of any extension to the quote-only period as with an Initial Security Offering Auction.²⁰¹ The transition to normal trading would also occur in the same manner as Initial Security Offering Auctions, as

pause due to a systems or technology issue, the Exchange will immediately notify the single plan processor responsible for consolidation of information for the security pursuant to Rule 603 of Regulation NMS under the Securities Exchange Act of 1934. Id.

¹⁹⁷ See proposed Rule 25040(b)(5).

¹⁹⁸ As with the regular opening process, orders marked IOC submitted during the Pre-Opening Phase of an Initial Security Offering Auction would be rejected. See proposed Rule 25040(b)(6).

¹⁹⁹ See proposed Rule 25040(c)(1). Orders marked IOC submitted during the Quote-Only Period would be rejected.

²⁰⁰ See proposed Rule 25040(c)(2). The Quote-Only Period shall be extended for an additional five (5) minutes should a Halt Auction be unable to be performed due to the absence of a TOP (“Initial Extension Period”). After the Initial Extension Period, the Exchange proposes that the Quote-Only Period shall be extended for additional five (5) minute periods should a Halt Auction be unable to be performed due to absence of a TOP (“Additional Extension Period”) until a Halt Auction occurs. Under the proposed Rule, the Exchange shall attempt to conduct a Halt Auction during the course of each Additional Extension Period. Id.

²⁰¹ See proposed Rule 25040(c)(3)-(5).

described above.²⁰²

The Exchange also proposes to adopt certain contingency procedures in proposed Rule 25040(d) that would provide that when a disruption occurs that prevents the execution of an Initial Security Offering Auction the Exchange will publicly announce the Quote-Only Period for the Initial Security Offering Auction, and the Exchange will then cancel all orders on the BSTX Book and disseminate a new scheduled time for the Quote-Only Period and opening match.²⁰³ Similarly, when a disruption occurs that prevents the execution of a Halt Auction, the Exchange will publicly announce that no Halt Auction will occur, and all orders in the halted Security on the BSTX Book will be canceled after which the Exchange will open the Security for trading without an auction.²⁰⁴

The opening process with respect to non-BSTX-listed securities is set forth in proposed Rule 25040(e). Pursuant to that Rule, BSTX Participants who wish to participate in the opening process may submit orders and quotes for inclusion in the BSTX Book, but such orders and quotes cannot execute until the termination of the Pre-Opening Phase (“Opening Process”). Orders that are canceled before the Opening Process will not participate in the Opening Process. The Exchange will attempt to perform the Opening Process and will match buy and sell orders that are executable at the midpoint of the NBBO.²⁰⁵ Generally, the price of the Opening Process

²⁰² Id.

²⁰³ See proposed Rule 25040(d)(1).

²⁰⁴ See proposed Rule 25040(d)(2). The Exchange notes that these contingency procedures are substantially similar to those of another exchange (see e.g., IEX Rule 11.350(c)(4)) and are designed to ensure that the Exchange has appropriate mechanisms in place to address possible disruptions that may arise in an Initial Security Offering Auction or Halt Auction, consistent with the protection of investors and the public interest pursuant to Section 6(b)(5) of the Exchange Act. 15 U.S.C. 78f(b)(5).

²⁰⁵ See proposed Rule 25040(e)(2).

will be at the midpoint of the first NBBO subsequent to the first two-sided quotation published by the listing exchange after 9:30:00 a.m. Eastern Time. Pursuant to proposed Rule 25040(e)(4), if the conditions to establish the price of the Opening Process set forth above do not occur by 9:45:00 a.m. Eastern Time, orders will be handled in time sequence, beginning with the order with the oldest time stamp, and will be placed on the BSTX Book cancelled, or executed in accordance with the terms of the order. A similar process will occur for re-opening a non-BSTX-listed security subject to a halt.²⁰⁶ The proposed opening process for Securities listed on another exchange serves as a placeholder in anticipation of other exchanges eventually listing and trading Securities, or the equivalent thereof, given that there are no other exchanges currently trading Securities. The proposed process for opening Securities listed on another exchange is similar to existing exchange rules governing the opening of trading of a security listed on another exchange.²⁰⁷

Consistent with Section 6(b)(5) of the Exchange Act,²⁰⁸ the Exchange believes that the proposed process for opening trading in BSTX-listed Securities and Securities listed on other exchanges will promote just and equitable principles of trade and will help perfect the mechanism of a free and open market by establishing a uniform process to determine the opening price of Securities.²⁰⁹ Proposed Rule 25040 provides a mechanism by which BSTX Participants

²⁰⁶ See proposed Rule 25040(e)(5).

²⁰⁷ See e.g., Cboe BZX Rule 11.24.

²⁰⁸ 15 U.S.C. 78f(b)(5).

²⁰⁹ The Exchange has not proposed to operate a closing auction at this time. As a result, the closing price of a Security on BSTX would be the last regular way transaction occurring on BSTX, which the Exchange believes is a simple and fair way to establish the closing price of a Security that does not permit unfair discrimination among customers, issuers, or broker-dealers consistent with Section 6(b)(5) of the Exchange Act. *Id.* This proposed process is consistent with the overall proposed simplified market structure for BSTX, which does not include a variety of order types offered by other exchanges such as market-on-close and limit-on-close orders.

may submit orders in advance of the start of regular trading hours, perform an opening cross, and commence regular hours trading in Securities listed on BSTX or otherwise. Where an opening cross is not possible in a BSTX-listed Security, the Exchange will proceed by opening regular hours trading in the Security anyway, which is consistent with the manner in which other exchanges open trading in securities.²¹⁰ With respect to initial public offerings of Securities and openings after a Limit Up-Limit Down halt or trading pause, BSTX proposes to use a process with features similar to its normal opening process. There are a variety of different ways in which an exchange can open trading in securities, including with respect to an initial public offering of a Security, and the Exchange believes that proposed Rule 25040 provides a simple and clear method for opening transactions that is consistent with the protection of investors and the public interest.²¹¹ Additionally, proposed Rule 25040 applies to all BSTX Participants in the same manner and is therefore not designed to permit unfair discrimination among BSTX Participants.

6. Rule 25050 – Trading Halts

The Exchange believes that a simplified market structure, including the proposed manner in which a closing price would be determined, promotes the public interest and the protection of investors consistent with Section 6(b)(5) of the Exchange Act through reduced complexity. Id.

²¹⁰ See e.g., BOX Rule 7070.

²¹¹ The Exchange notes that its proposed opening, Initial Security Offering Auction, and Halt Auction processes are substantially similar to those of another exchange. See Cboe BZX Rule 11.23. The key differences between the Exchange's proposed processes and those of the Cboe BZX exchange are that the Exchange has substantially fewer order types, which make its opening process less complex, and that the Exchange does not propose to use order auction collars to limit the price at which a Security opens. The Exchange does not believe that auction collars are necessary at this time because there are a variety of other mechanisms in place to prevent erroneous orders and the execution of an opening cross at an erroneous price (e.g., market access controls pursuant to Rule 15c3-5 and the ability of an underwriter to request an extension to the Quote-Only Period in an Initial Security Offering Auction).

BSTX proposes to adopt rules relating to trading halts²¹² that are substantially similar to other exchange rules adopted in connection with the NMS Plan to Address Extraordinary Market Volatility (“LULD Plan”), with certain exceptions that reflect Exchange functionality. BSTX intends to join the LULD Plan prior to the commencement of trading Securities. Below is an explanation of BSTX’s approach to certain categories of orders during a trading halt:

- Short Sales – BSTX cancels all orders on the book during a halt and rejects any new orders, so rules relating to the repricing of short sale orders during a trading halt that certain other exchanges have adopted have been omitted.
- Pegged Orders – BSTX would not support pegged orders, at least initially, so rules relating to pegged orders during a trading halt have been omitted.
- Routable Orders – Pursuant to proposed Rule 25130, the BSTX System will reject any order or quotation that would lock or cross a protected quotation of another exchange (rather than routing such order or quotation), and therefore rules relating to handling of routable orders during a trading halt have been omitted.
- Limit Orders – Because BSTX would cancel resting order interest and reject incoming orders during a trading halt, specific rules relating to the repricing of limit-priced interest that certain other exchanges have adopted have been omitted.²¹³
- Auction Orders, Market Orders, and FOK Orders – BSTX would not support these order types, at least initially, so rules relating to these order types during a trading halt have been omitted.²¹⁴

²¹² The Exchange notes that rules on opening trading for non-BSTX-listed security are set forth in proposed Rule 25040(e).

²¹³ See e.g., Cboe BZX 11.18(e)(5)(B).

²¹⁴ IOC orders will be handled pursuant to proposed Rule 25050(g)(5).

Pursuant to proposed Rule 25050(d), the Exchange would cancel all resting orders in a non-BSTX listed security subject to a trading halt, reject any incoming orders in that Security, and will only resume accepting orders following a broadcast message to BSTX Participants indicating a forthcoming re-opening of trading.²¹⁵

BSTX believes that it is in the public interest and furthers the protection of investors, consistent with Section 6(b)(5) of the Exchange Act²¹⁶ to provide for a mechanism to halt trading in Securities during periods of extraordinary market volatility consistent with the LULD Plan. However, the Exchange has excluded rules relating to order types and other aspects of the LULD Plan that would not be supported by the Exchange, such as market orders and auction orders. The Exchange has also reserved the right in proposed Rule 25050(f) to halt or suspend trading in other circumstances where the Exchange deems it necessary to do so for the protection of investors and in the furtherance of the public interest.

The Exchange believes that canceling resting order interest during a trading halt and rejecting incoming orders received during the trading halt is consistent with Section 6(b)(5) of the Exchange Act²¹⁷ because it is not designed to permit unfair discrimination among BSTX Participants. The orders and trading interest of all BSTX Participants would be canceled in the event of a trading halt and each BSTX Participant would be required to resubmit any orders they had resting on the order book.

7. Rule 25060 – Order Entry

Proposed Rule 25060 sets forth the manner in which BSTX Participants may enter orders

²¹⁵ Trading would resume pursuant to proposed Rule 25040(e)(5). See proposed Rule 25050(g)(7).

²¹⁶ 15 U.S.C. 78f(b)(5).

²¹⁷ Id.

to the BSTX System. The BSTX System would initially only support limit orders.²¹⁸ Orders that do not designate a limit price would be rejected.²¹⁹ The BSTX System would also only support two time-in-force (“TIF”) designations initially: (i) DAY; and (ii) immediate or cancel (“IOC”). DAY orders will queue during the Pre-Opening Phase, may trade during regular market hours, and, if unexecuted at the close of the trading day (4:00 p.m. ET), are canceled by the BSTX System.²²⁰ All orders are given a default TIF of DAY. BSTX Participants may also designate orders as IOC, which designation overrides the default TIF of DAY. IOC orders are not accepted by the BSTX System during the Pre-Opening Phase. During regular trading hours, IOC orders will execute in whole or in part immediately upon receipt by the BSTX System. The BSTX System will not support modification of resting orders. To change the price or quantity of an order resting on the BSTX Book, a BSTX Participant must cancel the resting order and submit a new order, which will result in a new time stamp for purposes of BSTX Book priority. In addition, all orders on BSTX will be displayed, and the BSTX System will not support hidden orders or undisplayed liquidity, as set forth in proposed Rule 25100.

Consistent with Section 6(b)(5) of the Exchange Act,²²¹ the Exchange believes that the proposed order entry rules will promote just and equitable principles of trade and help perfect the mechanism of a free and open market by establishing the types of orders and modifiers that all BSTX Participants may use in entering orders to the BSTX System. Because these order types

²¹⁸ The BSTX System will also accept incoming Intermarket Sweep Orders (“ISO”) pursuant to proposed Rule 25060(c)(2). ISOs must be limit orders, are ineligible for routing, may be submitted with a limit price during Regular Trading Hours, and must have a time-in-force of IOC. Proposed Rule 25060(c)(2) is substantially similar to rules of other national securities exchanges. See e.g., Cboe BZX Rule 11.9(d).

²¹⁹ Proposed Rule 25060(c)(1).

²²⁰ Proposed Rule 25060(d)(1).

²²¹ 15 U.S.C. 78f(b)(5).

and TIFs are available to all BSTX Participants, the proposed rule does not unfairly discriminate among market participants, consistent with Section 6(b)(5) of the Exchange Act. The proposed rule sets forth a very simple exchange model whereby there is only one order type—limit orders—and two TIFs. Upon the initial launch of BSTX, there will be no hidden orders, price sliding, pegged orders, or other order type features that add complexity. The Exchange believes that creating a simplified exchange model is designed to protect investors and is in the public interest because it reduces complexity, thereby helping market participants better understand how orders would operate on the BSTX System.

8. Rule 25070 – Audit Trail

Proposed Rule 25070 (Audit Trail) is designed to ensure that BSTX Participants provide the Exchange with information to be able to identify the source of a particular order and other information necessary to carry out the Exchange's oversight functions. The proposed rule is substantially similar to existing BOX Rule 7120 but eliminates certain information unique to orders for options contracts (e.g., exercise price) because Securities are equity securities. The proposed rule also provides that BSTX Participants that employ an electronic order routing or order management system that complies with Exchange requirements will be deemed to comply with the Rule if the required information is recorded in an electronic format. The proposed rule also specifies that order information must be kept for no less than three years and that where specific customer or account number information is not provided to the Exchange, BSTX Participants must maintain such information on their books and records.

The Exchange believes that proposed Rule 25070 is designed to protect investors and the public interest, consistent with Section 6(b)(5) of the Exchange Act,²²² because it will provide

²²² 15 U.S.C. 78f(b)(5).

the Exchange with information necessary to carry out its oversight role. Without being able to identify the source and terms of a particular order, the Exchange's ability to adequately surveil its market, with or through another SRO, for trading inconsistent with applicable regulatory requirements would be impeded. In order to promote compliance with Rule 201 of Regulation SHO, proposed Rule 25080(b)(3) provides that when a short sale price test restriction is in effect, the execution price of the short sale order must be higher than (i.e., above) the best bid, unless the sell order is marked "short exempt" pursuant to Regulation SHO.

9. Rule 25080 – Execution and Price Time Priority

Proposed Rule 25080 governs the execution of orders on the BSTX System, providing a price-time priority model. The proposed rule provides that orders of BSTX Participants shall be ranked and maintained in the BSTX Book according to price-time priority, such that within each price level, all orders shall be organized by the time of entry. The proposed rule further provides that sell orders may not execute a price below the best bid in the marketplace and buy orders cannot execute at a price above the best offer in the marketplace. Further, the proposed rule ensures compliance with Regulation SHO, Regulation NMS, and the LULD Plan, in a manner consistent with the rulebooks of other national securities exchanges.²²³

The Exchange believes that proposed Rule 25080 is consistent with Section 6(b)(5) of the Exchange Act²²⁴ because it is designed to promote just and equitable principles of trade and foster cooperation and coordination with persons facilitating transactions in securities by setting forth the order execution priority scheme for Security transactions. Numerous other exchanges similarly operate a price-time priority structure for effecting transactions. The proposed rule also

²²³ See e.g., Cboe BZX Rule 11.13(a)(2)-(3) governing regular trading hours.

²²⁴ 15 U.S.C. 78f(b)(5).

does not permit unfair discrimination among BSTX Participants because all BSTX Participants are subject to the same price-time priority structure. In addition, the Exchange believes that specifying in proposed Rule 25080(b)(3) that execution of short sale orders when a short sale price test restriction is in effect must occur at a price above the best bid unless the order is market “short exempt,” is consistent with the Exchange Act because it is intended promote compliance with Regulation SHO in furtherance of the protection of investors and the public interest.

10. Rule 25090 – BSTX Risk Controls

Proposed Rule 25090 sets forth certain risk controls applicable to orders submitted to the BSTX System. The proposed risk controls are designed to prevent the submission and execution of potentially erroneous orders. Under the proposed rule, the BSTX System will reject orders that exceed a maximum order size, as designated by each BSTX Participant. The Exchange, however may set default values for this control. The proposed rule also provides a means by which all of a BSTX Participant’s orders will be canceled in the event that the BSTX Participant loses its connection to the BSTX System. Proposed Rule 25090(c) provides a risk control that prevents incoming limit orders from being accepted by the BSTX System if the order’s price is more than a designated percentage away from the National Best Bid or Offer in the marketplace. Proposed Rule 25090(d) provides a maximum order rate control whereby the BSTX System will reject an incoming order if the rate of orders received by the BSTX System exceeds a designated threshold. With respect to both of these risk controls (price protection for limit orders and maximum order rate), BSTX Participants may designate the appropriate thresholds, but the Exchange may also provide default values and mandatory minimum levels.

The Exchange believes the proposed risk controls in Rule 25090 are consistent with

Section 6(b)(5) of the Exchange Act²²⁵ because they are designed to help prevent the execution of potentially erroneous orders, which furthers the protection of investors and the public interest. Among other things, erroneous orders can be disruptive to the operation of an exchange marketplace, can lead to temporary price dislocations, and can hinder price formation. The Exchange believes that offering configurable risk controls to BSTX Participants, along with default values where a BSTX Participant has not designated its desired controls, will protect investors by reducing the number of erroneous executions on the BSTX System and will remove impediments to and perfect the mechanism of a free and open market system. The proposed risk controls are also similar to existing risk controls provided by the Exchange to Options Participants.

11. Rule 25100 – Trade Execution, Reporting, and Dissemination of Quotations

Proposed Rule 25100 provides that the Exchange shall collect and disseminate last sale information for transactions executed on the BSTX system. The proposed rule further provides that the aggregate of the best-ranked non-marketable Limit Order(s), pursuant to Rule 25080, to buy and the best-ranked non-marketable Limit Order(s) to sell in the BSTX Book shall be collected and made available to quotation vendors for dissemination. Proposed Rule 25100 further provides that the BSTX System will operate as an “automated market center” within the meaning of Regulation NMS and will display “automated quotations” at all times except in the event of a system malfunction.²²⁶ In addition, the proposed Rule specifies that the Exchange

²²⁵ 15 U.S.C. 78f(b)(5).

²²⁶ 17 CFR 242.600(b)(4) and (5). The general purpose of an exchange being deemed an “automated trading center” displaying “automated quotations” relates to whether or not an exchange’s quotations may be considered protected under Regulation NMS. See Exchange Act Release No. 51808, 70 FR 37495, 37520 (June 29, 2005). Other trading centers may not effect

shall identify all trades executed pursuant to an exception or an exemption of Regulation NMS. The Exchange will disseminate last sale and quotation information pursuant to Rule 602 of Regulation NMS and will maintain connectivity to the securities information processors for dissemination of quotation information.²²⁷ BSTX Participants may obtain access to this information through the securities information processors.

Proposed Rule 25100(d) provides that executions that occur as a result of orders matched against the BSTX Book, pursuant to Rule 25080, shall clear and settle pursuant to the rules, policies, and procedures of a registered clearing agency. Rule 25100(e) obliges BSTX Participants, or a clearing member/participant clearing on behalf of a BSTX Participant to honor trades effected on the BSTX System on the scheduled settlement date, and the Exchange shall not be liable for the failure of BSTX Participants to satisfy these obligations.²²⁸

The Exchange believes that proposed Rule 25100 is consistent with Section 6(b)(5) of the Exchange Act²²⁹ because it will foster cooperation and coordination with persons processing information with respect to, and facilitating transactions in securities by requiring the Exchange to collect and disseminate quotation and last sale transaction information to market participants. BSTX Participants will need last sale and quotation information to effectively trade on the BSTX System, and proposed Rule 25100 sets forth the requirement for the Exchange to provide this information as well as the information to be provided. The proposed rule is similar to rules of

transactions that would trade through a protected quotation of another trading center. The Exchange believes that it is useful to specify that it will operate as an automated trading center at this time to make clear to market participants that it is not operating a manual market with respect to Securities.

²²⁷ 17 CFR 242.602.

²²⁸ These proposed provisions are substantially similar to those of exchanges. See e.g., Nasdaq Rule 4627 and IEX Rule 10.250.

²²⁹ 15 U.S.C. 78f(b)(5).

other exchanges relating to the dissemination of last sale and quotation information. The Exchange believes that requiring BSTX Participants (or firms clearing trades on behalf of other BSTX Participants) to honor their trade obligations on the settlement date is consistent with the Exchange Act because it will foster cooperation with persons engaged in clearing and settling transactions in Securities, consistent with Section 6(b)(5) of the Exchange Act.²³⁰

12. Rule 25110 – Clearly Erroneous

Proposed Rule 25110 sets forth the manner in which BSTX will resolve clearly erroneous executions that might occur on the BSTX System and is substantially similar to comparable clearly erroneous rules on other exchanges. Under proposed Rule 25100, transactions that involve an obvious error such as price or quantity, may be canceled after review and a determination by an officer of BSTX or such other employee designee of BSTX (“Official”).²³¹ BSTX Participants that believe they submitted an order erroneously to the Exchange may request a review of the transaction, and must do so within thirty (30) minutes of execution and provide certain information, including the factual basis for believing that the trade is clearly erroneous, to the Official.²³² Under proposed Rule 25100(c), an Official may determine that a transaction is clearly erroneous if the price of the transaction to buy (sell) that is the subject of the complaint is greater than (less than) the “Reference Price”²³³ by an amount that equals or exceeds specified

²³⁰ Id.

²³¹ A transaction made in clearly erroneous error and canceled by both parties or determined by the Exchange to be clearly erroneous will be removed from the Consolidated Tape. Proposed Rule 25110(a).

²³² Proposed Rule 25110(b). The Official may also consider certain “outlier” transactions on a case by case basis where the request for review is submitted after 30 minutes but no longer than sixty (60) minutes after the transaction. Proposed Rule 2511(d).

²³³ The Reference Price will be equal to the consolidated last sale immediately prior to the execution(s) under review except for in circumstances, such as, for example, relevant news impacting a security or securities, periods of extreme market volatility, sustained illiquidity, or

“Numerical Guidelines.”²³⁴ The Official may consider additional factors in determining whether a transaction is clearly erroneous, such as whether trading in the security had recently halted or overall market conditions.²³⁵ Similar to other exchanges’ clearly erroneous rules, the Exchange may determine that trades are clearly erroneous in certain circumstances such as during a system disruption or malfunction, on a BSTX Officer’s (or senior employee designee) own motion, during a trading halt, or with respect to a series of transactions over multiple days.²³⁶ Under proposed Rule 25110(e)(2), BSTX Participants affected by a determination by an Official may appeal this decision to the Chief Regulatory Officer of BSTX, provided such appeal is made within thirty (30) minutes after the party making the appeal is given notice of the initial determination being appealed.²³⁷ The Chief Regulatory Officer’s determination shall constitute final action by the Exchange on the matter at issue pursuant to proposed Rule 25110(e)(2)(ii).

The Exchange believes that proposed Rule 25110 is consistent with Section 6(b)(5) of the Exchange Act,²³⁸ because it would promote just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market

widespread system issues, where use of a different Reference Price is necessary for the maintenance of a fair and orderly market and the protection of investors and the public interest. Proposed Rule 25110(c)(1).

²³⁴ The proposed Numerical Guidelines are 10% where the Reference Price ranges from \$0.00 to \$25.00, 5% where the Reference Price is greater than \$25.00 up to and including \$50.00, and 3% where the Reference Price ranges is greater than \$50. Proposed Rule 25110(c)(1).

²³⁵ Proposed Rule 25110(c)(1).

²³⁶ See proposed Rule 25110(f) – (j). These provisions are virtually identical to similar provisions of other exchanges’ clearly erroneous rules other than by making certain administrative edits (e.g., replacing the term “security” with “Security”).

²³⁷ Determinations by an Official pursuant to proposed Rule 25110(f) relating to system disruptions or malfunctions may not be appealed if the Official made a determination that the nullification of transactions was necessary for the maintenance of a fair and orderly market or the protection of invests and the public interest. Proposed Rule 25110(d)(2).

²³⁸ 15 U.S.C. 78f(b)(5).

system by setting forth the process by which clearly erroneous trades on the BSTX System may be identified and remedied. Proposed Rule 25110 would apply equally to all BSTX Participants and is therefore not designed to permit unfair discrimination among BSTX Participants, consistent with Section 6(b)(5) of the Exchange Act.²³⁹ The proposed rule is substantially similar to the clearly erroneous rules of other exchanges.²⁴⁰ For example, proposed Rule 25110 does not include provisions related to clearly erroneous transactions for routed orders because orders for Securities will not route to other exchanges.²⁴¹ Securities would also only trade during regular trading hours (i.e., 9:30 a.m. ET to 4:00 p.m. ET), so provisions from comparable exchange rules relating to clearly erroneous executions occurring outside of regular trading hours have been excluded. Proposed Rule 25110 also excludes provisions from comparable clearly erroneous rules of certain other exchanges relating to clearly erroneous executions in: (i) Leverage ETF/ETNs; and (ii) unlisted trading privileges securities that are subject to an initial public offering.²⁴²

²³⁹ Id.

²⁴⁰ See e.g., Cboe BZX Rule 11.17. Similar to other exchanges' comparable rules, proposed Rule 25110 provides BSTX with the ability to determine clearly erroneous trades that result from a system disruption or malfunction, a BSTX Official acting on his or her own motion, trading halts, multi-day trading events, multi-stock events involving five or more (but less than twenty) securities whose executions occurred within a period of five minutes or less, multi-stock events involving twenty or more securities whose executions occurred within a period of five minutes or less, and securities subject to the LULD Plan.

²⁴¹ Other exchange clearly erroneous rules reference removing trades from the Consolidated Tape. Because Security transactions will be reported pursuant to a separate transaction reporting plan, proposed Rule 25110 eliminates references to the "Consolidated Tape" and provides that clearly erroneous Security transactions will be removed from "all relevant data feeds disseminating last sale information for Security transactions." See proposed Rule 25110(a).

²⁴² The Exchange notes that not all equities exchanges have a provision with respect to trade nullification for UTP securities that are the subject of an initial public offering. See IEX Rule 11.270. With respect to leveraged ETFs/ETNs, the Exchange does not expect to support trading of such products at this time, so the Exchange does not believe it is necessary to include provisions related to them.

The Exchange believes that its proposed process for BSTX Participants to appeal clearly erroneous execution determinations made by an Exchange Official pursuant to proposed Rule 25110 to the Chief Regulatory Officer of BSTX is consistent with Section 6(b)(5) of the Exchange Act²⁴³ because it promotes just and equitable principles of trade and fosters cooperation and coordination with persons regulating, settling, and facilitating transactions in securities by providing a clear and expedient process to appeal determinations made by an Official. BSTX Participants benefit from having a quick resolution to potentially clearly erroneous executions and giving the Chief Regulatory Officer discretion to decide any appeals of an Official's determination provides an efficient means to resolve potential appeals that applies equally to all BSTX Participants and therefore does not permit unfair discrimination among BSTX Participants, consistent with Section 6(b)(5) of the Exchange Act. The Exchange notes that, with respect to options trading on the Exchange, the Exchange's Chief Regulatory Officer similarly has sole authority to overturn or modify obvious error determinations made by an Exchange Official and that such determination constitutes final Exchange action on the matter at issue.²⁴⁴ In addition, proposed Rule 25110(e)(2)(iii) provides that any determination made by an Official or the Chief Regulatory Officer of BSTX under proposed Rule 25110 shall be rendered without prejudice as to the rights of the parties to the transaction to submit their dispute to arbitration. Accordingly, there is an additional safeguard in place for BSTX Participants to seek further review of the Exchange's clearly erroneous determination.

To the extent Securities become tradeable on other national securities exchanges or other changes arise that may necessitate changes to proposed Rule 25110 to conform more closely

²⁴³ 15 U.S.C. 78f(b)(5).

²⁴⁴ See BOX Rule 7170(n).

with the clearly erroneous execution rules of other exchanges, the Exchange intends to implement changes as necessary through a proposed rule change filed with the Commission pursuant to Section 19 of the Exchange Act²⁴⁵ at such future date.

13. Rule 25120 – Short Sales

Proposed Rule 25120 sets forth certain requirements with respect to short sale orders submitted to the BSTX System that is virtually identical to similar rules on other exchanges.²⁴⁶ Specifically, proposed Rule 25120 requires BSTX Participants to appropriately mark orders as long, short, or short exempt and provides that the BSTX System will not execute or display a short sale order not marked short exempt with respect to a “covered security”²⁴⁷ at a price that is less than or equal to the current national best bid if the price of that security decreases by 10% or more, as determined by the listing market for the covered security, from the covered security’s closing price on the listing market as of the end of Regular Trading Hours on the prior day (the “Trigger Price”). The proposed rule further specifies the duration of the “Short Sale Price Test” and that the BSTX System shall determine whether a transaction in a covered security has occurred at a Trigger Price and shall immediately notify the responsible single plan processor.²⁴⁸

The Exchange believes that proposed Rule 25120 is consistent with Section 6(b)(5) of the

²⁴⁵ 15 U.S.C. 78s.

²⁴⁶ See e.g., IEX Rule 11.290.

²⁴⁷ Proposed Rule 25120(b) provides that the terms “covered security,” “listing market,” and “national best bid” shall have the same meaning as in Rule 201 of Regulation SHO. 17 CFR 242.201(a).

²⁴⁸ Proposed Rule 25120(d). The proposed rule further provides in paragraph (d)(1) that if a covered security did not trade on BSTX on the prior trading day, BSTX’s determination of the Trigger Price shall be based on the last sale price on the BSTX System for that Security on the most recent day on which the Security traded.

Exchange Act,²⁴⁹ because it would promote just and equitable principles of trade and further the protection of investors and the public interest by enforcing rules consistent with Regulation SHO. Pursuant to Regulation SHO, broker-dealers are required to appropriately mark orders as long, short, or short exempt,²⁵⁰ and trading centers are required to establish, maintain, and enforce written policies and procedures reasonably designed to, among other things, prevent the execution or display of a short sale order of a covered security at a price that is less than or equal to the current national best bid if the price of that covered security decreases by 10% or more from its closing price on the primary listing market on the prior day.²⁵¹ Proposed Rule 25120 is designed to promote compliance with Regulation SHO, is nearly identical to similar rules of other exchanges, and would apply equally to all BSTX Participants.

14. Rule 25130 – Locking or Crossing Quotations in NMS Stocks

Proposed Rule 25130 sets forth provisions related to locking or crossing quotations. The proposed rule is substantially similar to the rules of other national securities exchanges.²⁵² Proposed Rule 25130 is designed to promote compliance with Regulation NMS and prohibits BSTX participants from engaging in a pattern or practice of displaying quotations that lock or cross a protected quotation unless an exception applies. The Exchange notes that there may be no other national securities exchanges trading Securities upon the launch of BSTX that may be displaying protected quotations. Notwithstanding that there may be no other away markets displaying a protected quotation when trading on BSTX commences, the Exchange proposes in Rule 25130(d) that the BSTX System will reject any order or quotation that would lock or cross

²⁴⁹ 15 U.S.C. 78f(b)(5).

²⁵⁰ 17 CFR 242.200(g).

²⁵¹ 17 CFR 242.201(b)(1).

²⁵² See IEX Rule 25130.

a protected quotation of another exchange at the time of entry.

The Exchange believes proposed Rule 25130 is consistent with Section 6(b)(5) of the Exchange Act²⁵³ because it is designed to promote just and equitable principles of trade and foster cooperation and coordination with persons facilitating transactions in securities by ensuring that the Exchange prevents display of quotations that lock or cross any protected quotation in an NMS stock, in compliance with applicable provisions of Regulation NMS.

15. Rule 25140 – Clearance and Settlement: Anonymity

Proposed Rule 25140 provides that each BSTX Participant must either (1) be a member of a registered clearing agency that uses a CNS system, or (2) clear transactions executed on the Exchange through another Participant that is a member of such a registered clearing agency. The Exchange would maintain connectivity and access to the UTC of NSCC for transmission of executed transactions. The proposed Rule requires a Participant that clears through another participant to obtain a written agreement, in a form acceptable to the Exchange, that sets out the terms of such arrangement. The proposed Rule also provides that BSTX transaction reports shall not reveal contra party identities and that transactions would be settled and cleared anonymously. In certain circumstances, such as for regulatory purposes, the Exchange may reveal the identity of a Participant or its clearing firm such as to comply with a court order.

The Exchange believes that proposed Rule 25140 is consistent with Section 6(b)(5) of the Exchange Act²⁵⁴ because it would foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities. Proposed Rule 25140 is similar to rules of other exchanges relating to clearance

²⁵³ 15 U.S.C. 78f(b)(5).

²⁵⁴ 15 U.S.C. 78f(b)(5).

and settlement.²⁵⁵

J. Market Making on BSTX (Rule 25200 Series)

The BSTX Market Making Rules (Rules 25200 – 25240) provide for registration and describe the obligations of Market Makers on the Exchange. The proposed Market Making Rules also provide for registration and obligations of Designated Market Makers (“DMMs”) in a given Security, allocation of a DMM to a particular Security, and parameters for business combinations of DMMs.

Proposed Rule 25200 sets forth the basic registration requirement for a BSTX Market Maker by noting that a Market Maker must enter a registration request to BSTX and that such registration shall become effective on the next trading day after the registration is entered, or, in the Exchange’s discretion, the registration may become effective the day that it is entered (and the Exchange will provide notice to the Market Maker in such cases). The proposed Rule further provides that a BSTX Market Maker’s registration shall be terminated by the Exchange if the Market Maker fails to enter quotations within five business days after the registration becomes effective.²⁵⁶

Proposed Rule 25210 sets forth the obligations of Market Makers, including DMMs. Under the proposed Rule, a BSTX Participant that is a Market Maker, including a DMM, is generally required to post two-sided quotes during the regular market session for each Security in which it is registered as a Market Maker.²⁵⁷ The Exchange proposes that such quotes must be entered within a certain percentage, called the “Designated Percentage,” of the National Best Bid (Offer) price in such Security (or last sale price, in the event there is no National Best Bid

²⁵⁵ See e.g. IEX Rule 11.250.

²⁵⁶ Proposed Rule 25200 is substantially similar to IEX Rule 11.150.

²⁵⁷ See proposed Rule 25210(a)(1).

(Offer)) on the Exchange.²⁵⁸ The Exchange proposes that the Designated Percentage would be 30%.²⁵⁹ The Exchange notes that the proposed Designated Percentage is substantially similar to the corresponding Designated Percentage for NYSE American market makers with respect to Tier 2 NMS stocks (as defined under the LULD plan).²⁶⁰ The Exchange believes that the proposed Designated Percentage for quotation obligations of Market Makers would be sufficient to ensure that there is adequate liquidity sufficiently close to the National Best Bid or Offer (“NBBO”) in Securities and to ensure fair and orderly markets. The Exchange notes that pursuant to proposed Rule 25210(a)(1)(iii), there is nothing to preclude a Market Maker from entering trading interest at price levels that are closer to the NBBO, so Market Makers have the ability to quote must closer to the NBBO than required by the Designated Percentage requirement if they so choose.

The Exchange proposes in Rule 25210(a)(4) that, in the event that price movements cause a Market Maker or DMM’s quotations to fall outside of the National Best Bid (Offer) (or last sale price in the event there is no National Best Bid (Offer)) by a given percentage, with such percentage called the “Defined Limit,” in a Security for which they are a Market Maker, the Market Maker or DMM must enter a new bid or offer at not more than the Designated Percentage away from the National Best Bid (Offer) in that Security. The Exchange proposes that the Defined Limit shall be 31.5%.²⁶¹ Under the proposed Rules, a Market Maker’s quotations must be firm and automatically executable for their size, and, to the extent the

²⁵⁸ See proposed Rule 25210(a)(1)(ii)(A).

²⁵⁹ See proposed Rule 25210(a)(1)(ii)(B).

²⁶⁰ See NYSE American Rule 7.23E(a)(1)(B)(iii) (providing that, other than during certain time periods around the market open and close, the Designated Percentage for Tier 2 NMS stocks priced below \$1.00 is 30% and for Tier 2 NMS stocks priced above \$1.00 is 28%).

²⁶¹ See proposed Rule 25210(a)(1)(ii)(3).

Exchange finds that a Market Maker has a substantial or continued failure to meet its quotation obligations, such Market Maker may face disciplinary action from the Exchange.²⁶² Under the proposed Market Maker and DMM Rules, Market Makers and DMMs' two-sided quotation obligations must be maintained for a quantity of a "normal unit of trading" which is defined as one Security.²⁶³ The Exchange believes that Securities may initially trade in smaller increments relative to other listed equities and that reducing the two-sided quoting increment from one round lot (i.e., 100 shares) to one Security will be sufficient to meet liquidity demands and would make it easier for Market Makers and DMMs to meet their quotation obligations, which in turn incentivize more Market Maker participation.

The Exchange notes that proposed Rule 25210 is substantially similar to NYSE American Rule 7.23E, with the exceptions of: (i) the modified normal unit of trading, Designated Percentage, and Defined Limit (as discussed above); (ii) specifying that the minimum quotation increment shall be \$0.01; and (iii) specifying that Market Maker quotations must be firm for their displayed size and automatically executable. The Exchange believes that the additional specifications with respect to the minimum quotation increment and firm quotation requirement will add additional clarity to the expectations of Market Makers on the Exchange.

Proposed Rule 25220 sets forth the registration requirements for a DMM. Under proposed Rule 25220, a DMM must be a registered Market Maker and be approved as a DMM in order to receive an allocation of Securities pursuant to proposed Rule 25230, which is described

²⁶² See proposed Rule 25210(b) and (c). Pursuant to proposed Rule 25310(d), a BSTX Market Maker, other than a DMM, may apply for a temporary withdrawal from its Market Maker status provided it meets certain conditions such as demonstrating legal or regulatory requirements that necessitate its temporary withdrawal.

²⁶³ See proposed Rule 25210(a)(1).

below.²⁶⁴ For Securities in which a Participant serves as a DMM, it must meet the same obligations as if it were a Market Maker and must also maintain a bid or offer at the National Best Bid and Offer at least 25% of the day measured across all Securities in which such Participant serves as DMM.²⁶⁵ The proposed Rule provides, among other things, that there will be no more than one DMM per Security and that a DMM must maintain information barriers between the trading unit operating as a DMM and the trading unit operating as a BSTX Market Maker in the same Security (to the extent applicable).²⁶⁶ The Rule further provides a process by which a DMM may temporarily withdraw from its DMM status, which is similar to the same process for a BSTX Market Maker²⁶⁷ and similar to the same process for DMMs on other exchanges.²⁶⁸ The Exchange notes that proposed Rule 25220 is substantially similar to NYSE American Rule 7.24E with the exception that the Exchange proposes to add a provision stating that the Exchange is not required to assign a DMM if the Security has an adequate number of BSTX Market Makers assigned to such Security. The purpose of this requirement is to acknowledge the possibility that a Security need not necessarily have a DMM provided that each Security has been assigned at least three active Market Makers at initial listing and two Market Makers for continued listing, consistent with proposed Rule 26106 (Market Maker Requirement), which is discussed further below.

In proposed Rule 25230, the Exchange proposes to set forth the process by which a DMMs are allocated and reallocated responsibility for a particular Security. Proposed Rule

²⁶⁴ See proposed 25220(b). DMMs would be approved by the Exchange pursuant to an application process an

²⁶⁵ See proposed Rule 25220(c).

²⁶⁶ See proposed Rule 25220(b).

²⁶⁷ See proposed Rule 25210(d).

²⁶⁸ See e.g., NYSE American Rule 7.24E(b)(4).

25230(a) sets forth the basic eligibility criteria for a when a Security may be allocated to a DMM, providing that this may occur when the Security is initially listed on BSTX, when it is reassigned pursuant to Rule 25230, or when it is currently listed without a DMM assigned to the Security.²⁶⁹ Proposed Rule 2530(a) also specifies that a DMM's eligibility to participate in the allocation process is determined at the time the interview is scheduled by the Exchange and specifies that a DMM must meet with the quotation requirements set forth in proposed Rule 25220(c) (DMM obligations). The proposed Rule further specifies how the Exchange will handle several situations in which the DMM does not meet its obligations, such as, for example, by issuing an initial warning advising of poor performance if the DMM fails to meet its obligations for a one-month period.²⁷⁰

Proposed Rule 25230(b) sets forth the manner in which a DMM may be selected and allocated a Security. Under proposed Rule 25230(b), an issuer may select its DMM directly, delegate the authority to the Exchange to select its DMM, or may opt to proceed with listing without a DMM, in which case a minimum of three non-DMM Market Makers at initial listing and two non-DMM Market Makers for continued listing must be assigned to its Security consistent with proposed Rule 26106. Proposed Rule 25230(b) further sets forth provisions relating to the interview between the issuer and DMMs, the Exchange selection by delegation, and a requirement that a DMM serve as a DMM for a Security for at least one year unless

²⁶⁹ As previously noted, pursuant to proposed Rule 26106, a Security may, in lieu of having a DMM assigned to it, have a minimum of three non-DMM Market Makers at initial listing and two non-DMM Market Makers for continued listing to be eligible for listing on the Exchange. Consequently, a Security might not have a DMM when it initially begins trading on BSTX, but may acquire a DMM later.

²⁷⁰ See proposed Rule 25230(a)(4). The proposed handling of these scenarios where a DMM does not meet its obligations is substantially similar to parallel requirements in NYSE American Rule 7.25E(a)(4).

compelling circumstances exist for which the Exchange may consider a shorter time period.

Each of these provisions is substantially similar to corresponding provisions in NYSE American Rule 7.25E(b)(1)-(3), with the exception that the Exchange may shorten the one year DMM commitment period in compelling circumstances.²⁷¹ Proposed Rule 25230(b) further sets forth specific provisions related to a variety of different issuances and types of securities, including spin-offs or related companies, warrants, rights, relistings, equity Security listing after preferred Security, listed company mergers, target Securities, and closed-end management investment companies.²⁷² Each of these provisions is substantially similar to corresponding provisions in NYSE American Rule 7.25E(b)(4)-(11).

Proposed Rule 25230(c) sets forth the reallocation process for a DMM in a manner that is substantially similar to corresponding provisions in NYSE American Rule 7.25E(c).

Generally, under the proposed Rule, an issuer may request a reallocation to a new DMM and Exchange staff will review this request, along with any DMM response letter, and eventually make a determination.²⁷³ Proposed Rule 25230(d), (e), and (f), set forth provisions governing an allocation freeze, allocation sunset, and criteria for applicants that are not currently DMMs to be eligible to be allocated a Security as a DMM respectively. Each of these provisions are likewise substantially similar to corresponding provisions in NYSE American Rule 7.25E(d)-(f).

²⁷¹ The Exchange believes that providing the Exchange with flexibility to shorten the one year commitment period is appropriate to accommodate unforeseen events or circumstances that might arise with respect to a DMM, such as a force majeure event, preventing a DMM from being able to carry out its functions.

²⁷² See proposed Rule 25230(b)(4)-(11).

²⁷³ In addition, proposed Rule 25230(c)(2) sets forth provisions that allow for the Exchange's CEO to immediately initiate a reallocation proceeding upon written notice to the DMM and the issuer when the DMM's performance in a particular market situation was, in the judgment of the Exchange, so egregiously deficient as to call into question the Exchange's integrity or impair the Exchange's reputation for maintaining an efficient, fair, and orderly market.

Finally, proposed Rule 25240 sets forth the DMM combination review policy. The proposed Rule, among other things, defines a proposed combination among DMMs, requires that DMMs provide a written submission to the Office of the Corporate Secretary of the Exchange and specifies, among other things, the items to be disclosed in the written submission, the criteria that the Exchange will use to evaluate a proposed combination, and the timing for a decision by the Exchange, subject to the Exchange's right to extend such time period. The Exchange notes that proposed Rule 25240 is substantially similar to NYSE American Rule 7.26E.

The Exchange believes that the proposed Market Making Rules set forth in the Rule 25200 Series are consistent with Section 6(b)(5) of the Exchange Act²⁷⁴ because they are designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system. The Exchange notes that the proposed Rules are substantially similar to the market making rules of other exchanges, as detailed above,²⁷⁵ and that all BSTX Participants are eligible to become a Market Maker or DMM provided they comply with the proposed requirements.²⁷⁶ The proposed Market Maker Rules set forth the quotation and related expectations of BSTX Market Makers which the Exchange believes will help ensure that there is sufficient liquidity in Securities. Although the corresponding NYSE American rules upon which the proposed Rules are based provide for multiple tiers and classes of stocks that were each associated with a different Designated Percentage and Defined Limit, the Exchange has collapsed all such classes in to one category

²⁷⁴ 15 U.S.C. 78f(b)(5).

²⁷⁵ See NYSE American Rule 7, Section 2.

²⁷⁶ In this regard, the Exchange believes the proposed Market Making Rules are not designed to permit unfair discrimination between BSTX Participants, consistent with Section 6(b)(5) of the Exchange Act. 15 U.S.C. 78f(b)(5).

and provided a single Designated Percentage of 30% and Defined Limit of 31.5% for all Security trading on BSTX. The Exchange believes that simplifying the Rules in this manner can reduce the potential for confusion and allows for easier compliance and will still adequately serve the liquidity needs of investors of Security investors, which the Exchange believes promotes the removal of impediments to and perfection of the mechanism of a free and open market and a national market system, consistent with Section 6(b)(5) of the Exchange Act.²⁷⁷

The Exchange has also proposed that the minimum quotation size of Market Makers will be one Security. As noted above, the Exchange believes that Securities may initially trade in smaller increments relative to other listed equities and that reducing the two-sided quoting increment from one round lot (i.e., 100 shares) to one Security would be sufficient to meet liquidity demands and would make it easier for Market Makers and DMMs to meet their quotation obligations, which in turn incentivize more Market Maker participation. The Exchange believes that adopting quotation requirements and parameters that are appropriate for the nature and types of securities that will trade on the Exchange will promote the protection of investors and the public interest by assuring that the Exchange Rules are appropriately tailored to its market.

K. BSTX Listing Rules (Rule 26000 and 27000 Series)

The BSTX Listing Rules, which include the Rule 26000 and 27000 Series, have been adapted from, and are substantially similar to, Parts 1 – 12 of the NYSE American LLC Company Guide.²⁷⁸ Except as described below, each proposed Rule in the BSTX 26000 and

²⁷⁷ 15 U.S.C. 78f(b)(5).

²⁷⁸ All references to various “Sections” in the discussion of these Listing Rules refer to the various Sections of the NYSE American Company Guide.

27000 series is substantially similar to a Section of the NYSE American Company Guide.²⁷⁹

Below is further detail.

- The BSTX Listing Rules (26100 series) are based on the NYSE American Original Listing Requirements (Sections 101-146).²⁸⁰
- The BSTX Original Listing Procedures (26200 series) are based on the NYSE American Original Listing Procedures (Sections 201 – 222).
- The BSTX Additional Listings Rules (26300 series) are based on the NYSE American Additional Listings Sections (Sections 301- 350).
- The BSTX Disclosure Policies (26400 series) are based on the NYSE American Disclosure Policies (Sections 401-404).
- The BSTX Dividends and Splits Rules (26500 series) are based on the NYSE American Dividends and Stock Splits Sections (Sections 501-522).
- The BSTX Accounting; Annual and Quarterly Reports Rules (26600 series) are based on the NYSE American Accounting; Annual and Quarterly Reports Sections (Sections 603-624).
- The BSTX Shareholders' Meetings, Approval and Voting of Proxies Rules

²⁷⁹ The Exchange notes that while the numbering of BSTX's Listing Rules generally corresponds to a Section of the NYSE American LLC Company Guide, BSTX did not integrate certain Sections of the NYSE American Company Guide that the Exchange deemed inapplicable to its operations, such as with respect to types of securities which the Exchange is not proposing to make eligible for listing (e.g., foreign issuers, other than those from Canada). Further, the Exchange formulated a small amount of new rules to reflect requirements relating to the use of blockchain technology as an ancillary recordkeeping mechanism, as described more fully herein. The Exchange also proposes to modify cross-references in the proposed Listing Rules to accord with its Rules.

²⁸⁰ Pursuant to proposed Rule 26135, all securities initially listing on BSTX, except securities which are book-entry only, must be eligible for a Direct Registration Program operated by a clearing agency registered under Section 17A of the Exchange Act. 15 U.S.C. 78q-1.

(26700 series) are based on the NYSE American Shareholders' Meetings, Approval and Voting of Proxies Sections (Sections 701-726).²⁸¹

- The BSTX Corporate Governance Rules (26800 series) are based on the NYSE American Corporate Governance Sections (Sections 801-809).
- The BSTX Additional Matters Rules (26900 series) are based on the NYSE American Additional Matters Sections (Sections 920-994).
- The BSTX Suspension and Delisting Rules (27000 series) are based on the NYSE American Suspension and Delisting Sections (Sections 1001-1011).
- The BSTX Guide to Filing Requirements (27100 series) are based on the NYSE American Guide to Filing Requirements (Section 1101).
- The BSTX Procedures for Review of Exchange Listing Determinations (27200 series) are based on the NYSE American Procedures for Review of Exchange Listing Determinations (Sections 1201-1211).

Notwithstanding that the proposed BSTX Listing Rules are substantially similar to those of other exchanges, BSTX proposes certain additions or modifications to these rules specific to its market. For example, BSTX proposes to add definitions that apply to the proposed BSTX Listing Rules. The definitions set forth in proposed Rule 26000 are designed to facilitate understanding of the BSTX Listing Rules by market participants. Increased clarity may serve to remove impediments to and perfect the mechanism of a free and open market and a national market system and may also foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions

²⁸¹ The Exchange notes that the proposed fees for certain items in the proposed Listing Rules (e.g., proxy follow-up mailings) are the same as those charged by NYSE American. See e.g., proposed IM-26722-8 cf. NYSE American Section 722.80.

in securities, consistent with Section 6(b)(5) of the Exchange Act.²⁸²

With respect to initial listing standards, which begin at proposed Rule 26101, the Exchange proposes to adopt listing standards that are substantially similar to the NYSE American listing rules.²⁸³ The Exchange believes that adopting listing rules similar to those in place on other national securities exchanges will facilitate more uniform standards across exchanges, which helps foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, consistent with Section 6(b)(5) of the Exchange Act.²⁸⁴ Market participants that are already familiar with NYSE American's listing standards will already be familiar with most of the substance of the proposed listing rules. The Exchange also believes that adopting proposed listing standards that closely resemble those of NYSE American may also foster competition among listing exchanges for companies seeking to publicly list their securities. The Exchange is proposing an addition (relative to the NYSE American listing rules) to the initial listing standards

²⁸² 15 U.S.C. 78f(b)(5).

²⁸³ See NYSE American Section 101. The Exchange understands that the Commission has extended relief to NYSE American with respect to certain quantitative listing standards that do not meet the thresholds of SEC Rule 3a51-1. 17 CFR 240.3a51-1. Initial listings of securities that do not meet such thresholds and are not subject to the relief provided to NYSE American would qualify as "penny stocks" and would be subject to additional regulation. BSTX notes that it is not seeking relief related to SEC Rule 3a51-1 and therefore has clarified proposed Rule 26101(a)(2) to ensure that issuers have at least one year of operating history. BSTX will also require new listings pursuant to proposed Rule 26102 to have a public distribution of 1 million Securities, 400 public Security holders, and a minimum market price of \$4 per Security. These provisions meet the requirements in SEC Rule 3a51-1 and are consistent with the rules of other national securities exchanges. See e.g., Nasdaq Rule 5510. The quantitative thresholds specified in Rule 26102 are also reflected in the Sample Underwriter's Letter that is Exhibit 3M to this proposal. In addition, the Exchange notes that proposed Rule 26140, which governs the additional listing requirements of a company that is affiliated with the Exchange, is based on similar provisions in NYSE American Rule 497 and IEX 14.205.

²⁸⁴ 15 U.S.C. 78f(b)(5).

for preferred Securities.²⁸⁵ Specifically, the Exchange proposes an additional standard for preferred Securities to list on the Exchange based on NASDAQ Rule 5510.²⁸⁶ The Exchange believes a proposed rule providing an additional initial listing standard for preferred Securities consistent with a similar provision of NASDAQ would expand the possible universe of issuances that would be eligible to list on the Exchange to include preferred Securities. The Exchange believes that such a rule would help remove impediments to and perfect the mechanism of a free and open market and a national market system, consistent with Section 6(b)(5) of the Exchange Act by giving issuers an additional means by which it could list a different type of security (*i.e.*, a preferred Security) and investors the opportunity to trade in such preferred Securities.²⁸⁷ Further, consistent with the public interest, rules that provide more opportunity for listings may promote competition among listing exchanges and capital formation for issuers.

In certain instances, BSTX proposes to add additional provisions not currently provided for in the NYSE American LLC Company Guide that are specific to Securities. For example, pursuant to proposed Rule 26230(a) (Security Architecture Responsibility and Audit), prior to approving a Security for trading on BSTX, the Exchange would conduct an audit of the Security's architecture to ensure compliance with the BSTX Protocol as outlined in Rule 26138.²⁸⁸ The purpose of this requirement is to ensure that the design and structure of a prospective BSTX-listed company's Security is compatible with the BSTX Protocol for purposes

²⁸⁵ See proposed Rule 26103.

²⁸⁶ See proposed Rule 26103(b)(2). Preferred Security Distribution Standard 2 requires that a preferred Security listing satisfy the following conditions: minimum bid price of at least \$4 per Security; at least 10 Round Lot holders; at least 200,000 Publicly Held Securities; and Market Value of Publicly Held Securities of at least \$3.5 million.

²⁸⁷ 15 U.S.C. 78f(b)(5).

²⁸⁸ Proposed Rule 26230 further provides that an applicant that is denied pursuant to this section may appeal the decision via the process outlined in the Rule 27200 Series.

of facilitating updates to the blockchain as an ancillary recordkeeping mechanism. The Exchange may use third party service providers that have demonstrated sufficient technical expertise in blockchain technology and an understanding of the BSTX Protocol to conduct this audit on behalf of the Exchange. To the extent an issuer looking to list its shares on BSTX as Securities failed the audit by BSTX of its Security architecture, the issuer would not meet the requirements of BSTX's listing rules and would therefore not be permitted to list its shares on BSTX until it successfully passed the Security audit.²⁸⁹

Further, the Exchange proposes that Rule 26230(b) would provide that a listed company (i.e., issuer) remains responsible for ensuring that its Security remains compatible with the BSTX Protocol and accurately reflects the number of shares outstanding. The Exchange recognizes that, in certain circumstances, it may be necessary for a listed company to modify certain aspects of the smart contract corresponding to a Security. For example, in the case of a stock split, a listed company may need to increase the total supply of Securities as programmed into its Security smart contract. Proposed Rule 26230(b) would provide that notice of any such modification of the smart contract corresponding to a Security (e.g., to increase the total supply) must be provided to the Exchange at least five calendar days in advance of implementation to allow the Exchange to audit the proposed modification.²⁹⁰ While the Exchange believes that five calendar days will provide sufficient time for it to ensure that a Security is appropriately updated

²⁸⁹ The Exchange expects that some issuers may choose to use an outside vendor to help build their Security in a manner that complies with the BSTX Protocol. The BSTX Protocol is open-source, so there is no need to use any particular vendor over another. The Exchange understands that there are numerous technology companies that offer these services, and issuers would be free to select one of their choosing.

²⁹⁰ The Exchange expects that it will work with issuers to help ensure that their Securities comply with the BSTX Protocol. However, as with all Exchange Rules, failure to comply could result in potential suspension and delisting in accordance with the Rule 27000 Series.

in advance of any implementation, the Exchange recognizes that there could conceivably be circumstances in which a change takes longer than expected to implement. Accordingly, the Exchange proposes that Rule 26230(b) would also provide that, to the extent additional time is needed to appropriately implement the modification, the Exchange may exercise its authority to suspend the ancillary recordkeeping process pursuant to Rule 17020(f). The Exchange notes that the primary circumstances under which a modification to a smart contract corresponding to a Security may be necessary is where there is a change to the total supply of the Security, which could occur in the case of a stock split, a reverse stock split, a buy-back, or a dividend in kind. The Exchange notes that any delay in the implementation of a change to a smart contract that corresponds to a Security shall in no way impact the record date or ex-dividend date for any dividend, distribution, or other action. The Exchange believes that proposed Rule 26230 would foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, consistent with Section 6(b)(5) of the Exchange Act,²⁹¹ because it facilitates the ancillary recordkeeping mechanism for BSTX-listed Securities which is a first step toward the potential integration of blockchain technology to securities transactions. Without ensuring that BSTX-listed companies' Securities are compatible with the BSTX Protocol, the use of blockchain technology as an ancillary recordkeeping mechanism could be impaired.

With respect to the definitions in proposed Rule 26000, these are designed to facilitate understanding of the BSTX Listing Rules by market participants. The Exchange believes that allowing market participants to better understand and interpret the BSTX Listing Rules removes impediments to and perfects the mechanism of a free and open market and a national market

²⁹¹ 15 U.S.C. 78f(b)(5).

system, and may also foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, consistent with Section 6(b)(5) of the Exchange Act.²⁹²

The Exchange also proposes certain enhancements to the notice requirements for listed companies to communicate to BSTX related to record dates and defaults.²⁹³ The Exchange believes that these additional disclosure and communication obligations can help BSTX in monitoring for listed company compliance with applicable rules and regulations; such additional disclosure obligations are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest, consistent with Section 6(b)(5) of the Exchange Act.²⁹⁴

The Exchange's proposed Rules provide additional flexibility for listed companies in choosing how liquidity would be provided in their listings by allowing listed companies to meet either the DMM Requirement or Active Market Maker Requirement for initial listing and continued trading.²⁹⁵ Pursuant to proposed Rule 26205, a company may choose to be assigned a

²⁹² Id.

²⁹³ See Proposed Rule 26502, which requires, among other things, a listing company to give the Exchange at least ten days' notice in advance of a record date established for any other purpose, including meetings of shareholders.

²⁹⁴ 15 U.S.C. 78f(b)(5).

²⁹⁵ See proposed Rule 26205. BSTX-listed Securities must meet the criteria specified in proposed Rule 26106, which provides that unless otherwise provided, all Securities listed pursuant to the BSTX Listing Standards must meet one of the following requirements: (1) the DMM Requirement whereby a DMM must be assigned to a given Security; or (2) the Active Market Maker Requirement which states that (i) for initial inclusion the Security must have at

DMM by the Exchange or to select its own DMM.²⁹⁶ Alternatively, a company may elect, or the Exchange may determine, that, in lieu of a DMM, a minimum of three (3) market makers would be assigned to the Security at initial listing; such requirement may be reduced to two (2) market makers following the initial listing, consistent with proposed Rule 26106. The Exchange believes that such additional flexibility would promote the removal of impediments to and perfection of the mechanism of a free and open market and a national market system, consistent with Section 6(b)(5) of the Exchange Act.²⁹⁷ The Commission has previously approved exchange rules providing for three market makers to be assigned to a particular security upon initial listing and only two for continued listing.²⁹⁸ In accordance with these previously approved rules, the Exchange believes proposed Rule 26205 would ensure fair and orderly markets and would facilitate the provision of sufficient liquidity for Securities.

The Exchange also proposes a number of other non-substantive changes from the baseline NYSE American listing rules, such as to eliminate references to the concept of a

least three registered and active Market Makers, and (ii) for continued listing, a Security must have at least two registered and active Market Makers, one of which may be a Market Maker entering a stabilizing bid.

²⁹⁶ Exchange personnel responsible for managing the listing and onboarding process will be responsible for determining to which DMM a Security will be assigned. As provided in proposed Rule 26205, the Exchange makes every effort to see that each Security is allocated in the best interests of the company and its shareholders, as well as that of the public and the Exchange. Similarly, the Exchange anticipates that these same personnel will be responsible for answering questions relating to the Exchange's listing rules pursuant to proposed Rule 26994 (New Policies). The Exchange notes that certain provisions in the NYSE American Listing Manual contemplate a "Listing Qualifications Analyst" that would perform a number of these functions. The Exchange is not proposing to adopt provisions that specifically contemplate a "Listing Qualifications Analyst," but expects to have personnel that will perform the same basic functions, such as advising issuers and prospective issuers with respect to the BSTX Listing Rules.

²⁹⁷ 15 U.S.C. 78f(b)(5).

²⁹⁸ See e.g., IEX Rule 14.206.

“specialist,” since BSTX will not have a specialist,²⁹⁹ or references to certificated equities, since Securities will be uncertificated equities.³⁰⁰ As another example, NYSE American Section 623 requires that three copies of certain press releases be sent to the exchange, while the Exchange proposes only that a single copy of such press release be shared with the Exchange.³⁰¹ In addition, the Exchange proposes to adopt Rule 26720 in a manner that is substantially similar to NYSE American Section 720, but proposes to modify the internal citations to ensure consistency with its proposed Rulebook.³⁰² In its proposed Rules, the Exchange has not included certain

²⁹⁹ See e.g., NYSE American Section 513(f), noting that open orders to buy and open orders to sell on the books of a specialist on an ex rights date are reduced by the cash value of the rights. Proposed Rule 26340(f) deletes this provision because BSTX will not have specialists. Similarly, because BSTX will not have specialists, the Exchange is not proposing to adopt a parallel rule to NYSE American Section 516, which specifies that certain types of orders are to be reduced by a specialist when a security is quoted ex-dividend, ex-distribution or ex-rights are set forth in NYSE American Rule 132.

³⁰⁰ See e.g., NYSE American Section 117 including a clause relating to paired securities for which “the stock certificates of which are printed back-to-back on a single certificate”). Similarly, the Exchange has proposed to replace certain references to the “Office of General Counsel” contained in certain NYSE American Listing Rule (see e.g., Section 1205) with references to the Exchange’s “Legal Department” to accommodate differences in BSTX’s organizational structure. See proposed Rule 27204. As another example, proposed Rule 27205 refers to the Exchange’s “Hearing Committee” as defined in Section 6.08 of the Exchange’s By-Laws to similarly accommodate organizational differences between the Exchange and NYSE American.

³⁰¹ See proposed Rule 26623.

³⁰² Specifically, proposed Rule 26720 would provide that participants must comply with Rules 26720 through 26725 and BSTX’s Rule 22020 (Forwarding of Proxy and Other Issuer-Related Materials; Proxy Voting). NYSE American Section 726, upon which proposed Rule 26720 is based, includes cross-references to NYSE American’s corresponding rules to proposed Rules 26720 through 26725, and also includes cross-references to NYSE American Rules 578 through 585, for which the Exchange is not proposing corresponding rules. These NYSE American rules for which the Exchange is not proposing to adopt a parallel rule relate to certain requirements specific to proxy voting (e.g., requiring that a member state the actual number of shares for which a proxy is given – NYSE American Rule 578) or, in some cases, relate to certificated securities (e.g., NYSE American Rule 579), which would be inapplicable to the Exchange since it proposes to only list uncertificated securities. The Exchange believes that it does not need to propose to adopt parallel rules corresponding to NYSE American Rules 578-585 at this time and notes that other listing exchanges do not appear have corresponding versions of these NYSE

form letters related to proxy rules that are included in the NYSE American rules;³⁰³ instead, these forms will be included in the BSTX Listing Supplement.³⁰⁴ The Exchange is not proposing to adopt provisions relating to future priced securities at this time.³⁰⁵ In addition, the Exchange is not proposing to allow for listing of foreign companies, other than Canadian companies,³⁰⁶ or to

American Rules. See e.g., Cboe BZX Rules. The Exchange believes that proposed Rule 26720 and the Exchange's other proposed Rules governing proxies, including those referenced in proposed Rule 26720, are sufficient to govern BSTX Participants' obligations with respect to proxies.

³⁰³ The forms found in NYSE American Section 722.20 and 722.40 will be included in the BSTX Listing Supplement.

³⁰⁴ The BSTX Listing Supplement would contain samples of letters containing the information and instructions required pursuant to the proxy rules to be given to clients in the circumstances indicated in the appropriate heading. These are intended to serve as examples and not as prescribed forms. Participants would be permitted to adapt the form of these letters for their own purposes provided all of the required information and instructions are clearly enumerated in letters to clients. Pursuant to proposed Rule 26212, the BSTX Listing Supplement would also include a sample application for original listing, which the Exchange has included as Exhibit 3G. In addition, proposed Rule 26350 states that the BSTX Listing Supplement will include a sample cancellation notice; the Exchange expects such notice to be substantially in the same form as NYSE American's sample notice in NYSE American Section 350. Other examples of items that would appear in the BSTX Listing Supplement include certain certifications to be completed by the CEO of listed companies pursuant to proposed Rule 26810(a) and (c), and forms of letters to be sent to clients requesting voting instructions and other letters relating to proxy votes pursuant to proposed IM-26722-2 and IM-26722-4. The Exchange expects that these proposed materials in the BSTX Listing Supplement will be substantially similar to the corresponding versions of such samples used by NYSE American. The purpose of putting these sample letters and other information into the BSTX Listing Supplement rather than directly in the rules is to improve the readability of the Rules.

³⁰⁵ See e.g., NYSE American Section 101, Commentary .02. The Exchange is also not proposing to adopt a parallel provision to NYSE American Section 950 (Explanation of Difference between Listed and Unlisted Trading Privileges) because the Exchange believes that such provision is not necessary and contains extraneous historical details that are not particularly relevant to the trading of Securities. The Exchange notes that numerous other listing exchanges do not have a similar provision to NYSE American Section 950. See e.g., IEX Listing Rules.

³⁰⁶ See proposed Rule 26109. Because the Exchange does not propose to allow foreign issuers of Securities, it does not propose to adopt a parallel provision to NYSE American Section 110 and other similar provisions relating to foreign issuers – e.g., NYSE American Section 801(f).

allow for issuers to transfer their existing securities to BSTX.³⁰⁷ Similarly, the Exchange is not proposing at this time to support Security debt securities, so the Exchange has not proposed to adopt certain provisions from the NYSE American Listing Manual related to bonds/debt securities³⁰⁸ or the trading of units.³⁰⁹ The Exchange believes that the departures from the NYSE American rules upon which the proposed Rules are based, as described above, are non-substantive (e.g., by not including provisions relating to instruments that will not trade on the Exchange), would apply to all issuers in the same manner and are therefore not designed to permit unfair discrimination, consistent with Section 6(b)(5) of the Exchange Act.³¹⁰

The Exchange proposes in Rule 26507 to prohibit the issuance of fractional Securities and to provide that cash must be paid in lieu of any distribution or part of a distribution that might result in fractional interests in Securities.³¹¹ The Exchange believes that disallowing fractional shares reduces complexity. By extension, the requirement to provide cash in lieu of fractional shares simplifies the process related to share transfer and tracking of share ownership. The Exchange believes that this simplification promotes just and equitable principles of trade, fosters cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, removes impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protects investors and the public interest, consistent with Section 6(b)(5)

³⁰⁷ Consequently, the Exchange does not propose to adopt a parallel provision to NYSE American Section 113 at this time.

³⁰⁸ See e.g., NYSE American Sections 1003(b)(iv) and (e).

³⁰⁹ See e.g., NYSE American Sections 106(f), 401(i), and 1003(g).

³¹⁰ 15 U.S.C. 78f(b)(5).

³¹¹ The Exchange also proposes certain conforming changes in Rule 26503 (Form of Notice) to reiterate that fractional interests in Securities are not permitted by the Exchange.

of the Exchange Act.³¹²

Proposed BSTX Rule 26130 (Original Listing Applications) would require listing applicants to furnish a legal opinion that the applicant's Security is a security under applicable United States securities laws. Such a requirement provides assurance to the Exchange that Security trading relates to appropriate asset classes. The Exchange believes that this Rule promotes just and equitable principles of trade and, in general, protects investors and the public interest, consistent with Section 6(b)(5) of the Exchange Act.³¹³

The Exchange proposes to adopt corporate governance listing standards as its Rule 26800 series that are substantially similar to the corporate governance listing standards set forth in Part 8 of the NYSE American Listing Manual. However, it includes certain clarifications, most notably that certain proposed provisions are not intended to restrict the number of terms that a director may serve³¹⁴ and that, if a limited partnership is managed by a general partner rather than a board of directors, the audit committee requirements applicable to the listed entity should be satisfied by the general partner.³¹⁵ The Exchange also notes that, unlike the current NYSE American rules upon which the proposed Rules are based, the proposed Rules on corporate governance do not include provisions on asset-backed securities and foreign issues (other than those from Canada), since the Exchange does not proposed to allow for such foreign issuers to list on BSTX at this time.

The Exchange proposes to adopt additional listing rules as its Rule 26900 series that are substantially similar to the corporate governance listing standards set forth in Part 9 of the NYSE

³¹² 15 U.S.C. 78f(b)(5).

³¹³ Id.

³¹⁴ See proposed Rule 26802(d).

³¹⁵ See proposed Rule 26801(b).

American Listing Manual. The only significant difference from the baseline NYSE American rules is that the proposed BSTX Rules do not include provisions related to certificated securities, since Securities listed on BSTX will be uncertificated.

The Exchange proposes to adopt suspension and delisting rules as its Rule 27000 series that are substantially similar to the corporate governance listing standards set forth in Parts 10, 11, and 12 of the NYSE American Listing Manual. The proposed rules do not include concepts from the baseline NYSE American rules regarding foreign, fixed income securities, or other non-equity securities because the Exchange is not proposing to allow for listing of such securities at this time.³¹⁶

The Exchange believes that the proposals in the Rule 26800 to Rule 27000 Series, which are based on the rules of NYSE American with the differences explained above, are designed to foster cooperation and coordination with persons engaged in facilitating transactions in securities, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. Further, the differences in the proposals compared to the analogous NYSE American provisions appropriately reflect the differences between the two exchanges. The Exchange believes that ensuring that its systems are appropriately described in the BSTX Rules facilitates market participants' review of such Rules, which serves to remove impediments to and perfect the mechanism of a free and open market and a national market system by ensuring that market participants can easily navigate, understand and comply with the Exchange's rulebook.

Therefore, the Exchange believes its proposals are consistent with Section 6(b)(5) of the

³¹⁶ As with all sections of the proposed rules, references to "securities" have been changed to "Securities" where appropriate and, in the Rule 27000 series, certain references have been conformed from the baseline NYSE American provisions to account for the differences in governance structure and naming conventions of BSTX.

Exchange Act.³¹⁷

L. Fees (Rule 28000 Series)

The Exchange proposes to set forth as its Rule 28000 Series (Fees) the Exchange's authority to prescribe reasonable dues, fees, assessments or other charges as it may deem appropriate.³¹⁸ As provided in proposed Rule 28000 (Authority to Prescribe Dues, Fees, Assessments and Other Charges), these fees may include membership dues, transaction fees, communication and technology fees, regulatory fees, and other fees, which will be equitably allocated among BSTX Participants, issuers, and other persons using the Exchange's facilities.³¹⁹ Proposed Rule 28010 (Regulatory Revenues) generally provides that any revenues received by the Exchange from fees derived from its regulatory function or regulatory fines will not be used for non-regulatory purposes or distributed to the stockholder, but rather, shall be applied to fund the legal and regulatory operations of the Exchange (including surveillance and enforcement activities).

The Exchange believes that the proposed Rule 28000 Series (Fees) is consistent with Sections 6(b)(5) of the Exchange Act because these proposed rules are designed to protect investors and the public interest by setting forth the Exchange's authority to assess fees on BSTX Participants, which would be used to operate the BSTX System and surveil BSTX for

³¹⁷ 15 U.S.C. 78f(b)(5).

³¹⁸ As described above, recording information to the Ethereum blockchain requires payment of gas by the individual or entity who desires to post such a record. The payment of gas will be performed by the Wallet Manager as a service provider to the Exchange carrying out the function of updating the Ethereum blockchain as an ancillary recordkeeping mechanism. The Exchange does not plan to charge a fee to cover the costs associated with gas and updating the Ethereum blockchain. The Exchange also notes that gas costs are typically negligible and anticipates actual monthly gas expenditures to be of a de minimis amount.

³¹⁹ Proposed Rule 28000 further provides authority for the Exchange to charge BSTX Participants a regulatory transaction fee pursuant to Section 31 of the Exchange Act (15 U.S.C. 78ee) and that the Exchange will set forth fees pursuant to publicly available schedule of fees.

compliance with applicable laws and rules. The Exchange believes that the proposed Rule 28000 Series (Fees) is also consistent with Sections 6(b)(3) of the Exchange Act³²⁰ because the proposed Rules specify that all fees assessed by the Exchange shall be equitably allocated among BSTX Participants, issuers and other persons using the Exchange's facilities. The Exchange notes that the proposed Rule 28000 Series is substantially similar to the existing rules of another exchange.³²¹ The Exchange intends to submit a proposed rule change to the Commission setting forth the proposed fees relating to trading on BSTX in advance of the launch of BSTX.

IV. *Minor Rule Violation Plan*

The Exchange's disciplinary rules, including Exchange Rules applicable to "minor rule violations," are set forth in the Rule 12000 Series of the Exchange's current Rules. Such disciplinary rules would apply to BSTX Participants and their associated persons pursuant to proposed Rule 24000. The Exchange's Minor Rule Violation Plan ("MRVP") specifies those uncontested minor rule violations with sanctions not exceeding \$2,500 that would not be subject to the provisions of Rule 19d-1(c)(1) under the Exchange Act³²² requiring that an SRO promptly file notice with the Commission of any final disciplinary action taken with respect to any person or organization.³²³ The Exchange's MRVP includes the policies and procedures set forth in

³²⁰ 15 U.S.C. 78f(b)(5).

³²¹ See Cboe BZX Rules 15.1 and 15.2.

³²² 17 CFR 240.19d-1(c)(1).

³²³ The Commission adopted amendments to paragraph (c) of Rule 19d-1 to allow SROs to submit for Commission approval plans for the abbreviated reporting of minor disciplinary infractions. See Exchange Act Release No. 21013 (June 1, 1984), 49 FR 23828 (June 8, 1984). Any disciplinary action taken by an SRO against any person for violation of a rule of the SRO which has been designated as a minor rule violation pursuant to such a plan filed with and declared effective by the Commission will not be considered "final" for purposes of Section 19(d)(1) of the Exchange Act if the sanction imposed consists of a fine not exceeding \$2,500 and the sanctioned person has not sought an adjudication, including a hearing, or otherwise exhausted his administrative remedies.

Exchange Rule 12140 (Imposition of Fines for Minor Violations).

The Exchange proposes to amend its MRVP and Rule 12140 to include proposed Rule 24010 (Penalty for Minor Rule Violations). The Rules included in proposed Rule 24010 as appropriate for disposition under the Exchange's MRVP are: (a) Rule 20000 (Maintenance, Retention and Furnishing of Records); (b) Rule 25070 (Audit Trail); (c) Rule 25210(a)(1) (Two-Sided Quotation Obligations of BSTX Market Makers); and Rule 25120 (Short Sales). The rules included in proposed Rule 12140 are the same as the rules included in the MRVPs of other exchanges.³²⁴ Upon implementation of this proposal, the Exchange will include the enumerated trading rule violations in the Exchange's standard quarterly report of actions taken on minor rule violations under the MRVP. The quarterly report includes: the Exchange's internal file number for the case, the name of the individual and/or organization, the nature of the violation, the specific rule provision violated, the sanction imposed, the number of times the rule violation has occurred, and the date of disposition. The Exchange's MRVP, as proposed to be amended, is consistent with Sections 6(b)(1), 6(b)(5) and 6(b)(6) of the Exchange Act,³²⁵ which require, in part, that an exchange have the capacity to enforce compliance with, and provide appropriate discipline for, violations of the rules of the Commission and of the exchange. In addition, because amended Rule 12140 will offer procedural rights to a person sanctioned for a violation listed in proposed Rule 24010, the Exchange will provide a fair procedure for the disciplining of members and associated persons, consistent with Section 6(b)(7) of the Exchange Act.³²⁶

This proposal to include the rules listed in Rule 24010 in the Exchange's MRVP is consistent with the public interest, the protection of investors, or otherwise in furtherance of the

³²⁴ See e.g., IEX Rule 9.218 and Cboe BZX Rule 8.15.01.

³²⁵ 15 U.S.C. 78f(b)(1), 78f(b)(5) and 78f(b)(6).

³²⁶ 15 U.S.C. 78f(b)(7).

purposes of the Exchange Act, as required by Rule 19d-1(c)(2) under the Exchange Act,³²⁷ because it should strengthen the Exchange's ability to carry out its oversight and enforcement responsibilities as an SRO in cases where full disciplinary proceedings are unsuitable in view of the minor nature of the particular violation. In requesting the proposed change to the MRVP, the Exchange in no way minimizes the importance of compliance with Exchange Rules and all other rules subject to the imposition of fines under the MRVP. However, the MRVP provides a reasonable means of addressing rule violations that do not rise to the level of requiring formal disciplinary proceedings, while providing greater flexibility in handling certain violations. The Exchange will continue to conduct surveillance with due diligence and make a determination based on its findings, on a case-by-case basis, whether a fine of more or less than the recommended amount is appropriate for a violation under the MRVP or whether a violation requires a formal disciplinary action.

V. *Amendments to Existing BOX Rules*

Due to the new BSTX trading facility and the introduction of trading in Securities, a type of equity security, on the Exchange, the Exchange proposes to amend those Exchange Rules that would apply to BSTX Participants, but that currently only contemplate trading in options. Therefore, the Exchange is seeking to amend the following Exchange Rules, each of which is set forth in Exhibit 5B:

- Rule 100(a) (Definitions) "Options Participant" or "Participant": The Exchange proposes to change the definition of "Options Participant or Participant" to "Participant" to reflect Options Participants and BSTX Participants and to amend the definition as follows: "The term 'Participant' means a firm, or organization that is

³²⁷ 17 CFR 240.19d-1(c)(2).

registered with the Exchange pursuant to the Rule 2000 Series for purposes of participating in trading on a facility of the Exchange and includes an ‘Options Participant’ and ‘BSTX Participant.’”

- Rule 100(a) (Definitions) “Options Participant”: The Exchange proposes to add a definition of “Options Participant” that would be defined as follows: “The term ‘Options Participant’ is a Participant registered with the Exchange for purposes of participating in options trading on the Exchange.”³²⁸
- Rule 2020(g)(2) (Participant Eligibility and Registration): The Exchange proposes to delete subsection (g)(2) and replace it with the following: “(2) persons associated with a Participant whose functions are related solely and exclusively to transactions in municipal securities; (3) persons associated with a Participant whose functions are related solely and exclusively to transactions in commodities; (4) persons associated with a Participant whose functions are related solely and exclusively to transactions in securities futures, provided that any such person is appropriately registered with a registered futures association; and (5) persons associated with a Participant who are restricted from accessing the Exchange and that do not engage in the securities business of the Participant relating to activity that occurs on the Exchange.”³²⁹
- Rule 2060 (Revocation of Participant Status or Association with a Participant): The Exchange proposes to amend Rule 2060 to refer to “securities transactions” rather

³²⁸ In addition, as a result of these new defined terms, the Exchange proposes to renumber definitions set forth in Rule 100(a) to keep the definitions in alphabetically order.

³²⁹ In addition to revising Rule 2020(g)(2) to broaden it to include securities activities beyond just options trading, the Exchange proposes to add greater specificity to define persons that are exempt from registration, consistent with the approach adopted by other exchanges. See e.g., IEX Rule 2.160(m).

- than “options securities transactions.”
- Rule 3180(a) (Mandatory Systems Testing): The Exchange proposes to amend subsection (a)(1) of Rule 3180 to also include BSTX Participants, in addition to the categories of Market Makers and OFPs.
 - Rule 7130(a)(2)(v) Execution and Price/Time Priority: The Exchange proposes to update the cross reference to Rule 100(a)(58) to refer to Rule 100(a)(59), which defines the term “Request for Quote” or “RFQ” under the Rules after the proposed renumbering.
 - Rule 7150(a)(2) (Price Improvement Period): The Exchange proposes to amend Rule 7150(a)(2) to update the cross reference to the definition of a Professional in Rule 100(a)(51) to instead refer to Rule 100(a)(52), which is where that term would be defined in the Rules after the proposed renumbering.
 - Rule 7230 (Limitation of Liability): The Exchange proposes to amend the references in Rule 7230 to “Options Participants” to simply “Participants.”
 - Rule 7245(a)(4) (Complex Order Price Improve Period): The Exchange proposes to update the cross reference to Rule 100(a)(51) to refer to Rule 100(a)(52), which defines the term “Professional” after the proposed renumbering.
 - IM-8050-3: The Exchange proposes to update the cross reference to Rule 100(a)(55) to refer to Rule 100(a)(56), which defines the term “quote” or “quotation” after the proposed renumbering.³³⁰

³³⁰ Current Exchange Rule 100(a)(55) defines the term “Quarterly Options Series,” but the intended reference in IM-8050-3 was the definition of “quote” or “quotation.” The term “quote” or “quotation” is currently defined in Rule 100(a)(56), but is proposed to be renumbered as Rule 100(a)(57).

- Rule 11010(a) “Investigation Following Suspension”: The Exchange proposes to amend subsection (a) of Rule 11010 to remove the reference to “in BOX options contracts” and to modify the word “position” with the word “security” as follows: “. . . the amount owing to each and a complete list of each open long and short security position maintained by the Participant and each of his or its Customers.”
- Rule 11030 (Failure to Obtain Reinstatement): The Exchange proposes to amend Rule 11030 to replace the reference to “Options Participant” to simply “Participant.”
- Rule 12030(a)(1) (Letters of Consent): The Exchange proposes to amend subsection (a)(1) of Rule 12030 to replace the reference to “Options Participant” to simply “Participant.”
- Rule 12140 (Imposition of Fines for Minor Rule Violations): The Exchange proposes to amend Rule 12140 to replace references to “Options Participant” to simply “Participant.” In addition, the Exchange proposes to add paragraph (f) to Rule 12140, to incorporate the aforementioned modifications to the Exchange’s MRVP. New paragraph (f) of Rule 12140 would provide: “(f) Transactions on BSTX. Rules and penalties relating to trading on BSTX that are set forth in Rule 24010 (Penalty for Minor Rule Violations).”

The Exchange believes that the proposed amendments to the definitions set forth in Rule 100 are consistent with Section 6(b)(5) of the Exchange Act³³¹ because they protect investors and the public interest by setting forth clear definitions that help BOX and BSTX Participants understand and apply Exchange Rules. Without defining terms used in the Exchange Rules clearly, market participants could be confused as to the application of certain rules, which could

³³¹ 15 U.S.C. 78f(b)(5).

cause harm to investors.

The Exchange believes that the proposed amendments to the other Exchange Rules detailed above are consistent with Section 6(b)(5) of the Exchange Act³³² because the proposed rule change is designed to foster cooperation and coordination with persons engaged in facilitating transactions in securities, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. The Exchange believes that the proposed rule change would remove impediments to and perfect the mechanism of a free and open market and a national market system by ensuring that market participants can easily navigate, understand and comply with the Exchange's rulebook. The Exchange believes that the proposed rule change enables the Exchange to continue to enforce the Exchange's rules. The Exchange notes that none of the proposed changes to the current Exchange rulebook would materially alter the application of any of those Rules, other than by extending them to apply to BSTX Participants and trading on the BSTX System. As such, the proposed amendments would foster cooperation and coordination with persons engaged in facilitating transactions in securities and would remove impediments to and perfect the mechanism of a free and open market and a national exchange system. Further, the Exchange believes that, by ensuring the rulebook accurately reflects the intention of the Exchange's rules, the proposed rule change reduces potential investor or market participant confusion.

VI. *Forms to Be Used in Connection with BSTX*

In connection with the operation of BSTX, the Exchange proposes to use a series of new forms to facilitate becoming a BSTX Participant and for issuers to list their Securities. These

³³² Id.

forms have been attached hereto as Exhibits 3A – 3N. Each are described below.

A. BSTX Participant Application

Pursuant to proposed Rule 18000(b), in order to become a BSTX Participant, an applicant must complete a BSTX Participant Application, which is attached as Exhibit 3A. The proposed BSTX Participant Application requires the applicant to provide certain basic information such as identifying the applicants name and contact information, Designated Examining Authority, organizational structure, and Central Registration Depository (“CRD”) number. The BSTX Participant Application also requires applicants to provide additional information including certain beneficial ownership information, the applicant’s current Form BD, an organization chart, a description of how the applicant receives orders from customers, how it will send orders to BSTX, and a copy of written supervisory procedures and information barrier procedures.

In addition, the BSTX Participant Application allows applicants to indicate whether they are applying to be a BSTX Market Maker or a Designated Market Maker. Applicants wishing to become a BSTX Market Maker or Designated Market Maker must provide certain additional information including a list of each of the applicant’s trading representatives (including a copy of each representative’s Form U4), a copy of the applicant’s written supervisory procedures relating to market making, a description of the source and amount of the applicant’s capital, and information regarding the applicant’s other business activities and information barrier procedures.

B. BSTX Participant Agreement

Pursuant to Exchange Rule 18000(b), to transact business on BSTX, prospective BSTX Participants must complete a BSTX Participant Agreement. The BSTX Participant Agreement is attached as Exhibit 3B. The BSTX Participant Agreement provides that a BSTX Participant must

agree with the Exchange as follows:

1. Participant agrees to abide by the Rules of the Exchange and applicable bylaws, as amended from time to time, and all circulars, notices, interpretations, directives and/or decisions adopted by the Exchange.
2. Participant acknowledges that BSTX Participant and its associated persons are subject to the oversight and jurisdiction of the Exchange.
3. Participant authorizes the Exchange to make available to any governmental agency or SRO any information it may have concerning the BSTX Participant or its associated persons, and releases the Exchange from any and all liability in furnishing such information.
4. Participant acknowledges its obligation to update any and all information contained in any part of the BSTX Participant's application, including termination of membership with another SRO.

These provisions of the BSTX Participant Agreement and others therein are generally designed to reflect the Exchange's SRO obligations to regulate BSTX Participants. Accordingly, these provisions contractually bind a BSTX Participant to comply with Exchange rules, acknowledge the Exchange's oversight and jurisdiction, authorize the Exchange to disclose information regarding the Participant to any governmental agency or SRO and acknowledge the obligation to update any and all Application contained in the Participant's application.

C. BSTX User Agreement

In order to become a BSTX Participant, prospective participants must also execute a BSTX User Agreement pursuant to proposed Rule 18000(b). The BSTX User Agreement, attached as Exhibit 3C, includes provisions related to the term of the agreement, compliance with

exchange rules, right and obligations under the agreement, changes to BSTX, proprietary rights under the agreement, use of information received under the relationship, disclaimer of warranty, limitation of liability, indemnification, termination and assignment. The information is necessary to outline the rights and obligations of the prospective Participant and the Exchange under the terms of the agreement. Both the BSTX Participant Agreement and BSTX User Agreement will be available on the Exchange's website (boxoptions.com).

D. BSTX Security Market Designated Market Maker Selection Form

In accordance with proposed Rule 25230(b)(1), BSTX will maintain the BSTX Security Designated Market Maker Selection Form, which is attached as Exhibit 3D. The issuer may select its DMM from among a pool of DMMs eligible to participate in the process. Within two business days of the issuer selecting its DMM, it will use the BSTX Security Market Designated Market Maker Selection form to notify BSTX of the selection. The form must be signed by a duly authorized officer as specified in proposed Rule 25230(b)(1).

E. Clearing Authorization Forms

In accordance with proposed Rule 18010, BSTX Participants that are not members/participants of a registered clearing agency must clear their transactions through a BSTX Participant that is a member of a registered clearing agency. A BSTX Participant clearing through another BSTX Participant would do so using, as applicable, either the BSTX Clearing Authorization (non-Market Maker) form (attached as Exhibit 3E) or the BSTX Participant Clearing Authorization (Market Maker) form (attached as Exhibit 3F). Each form would be maintained by BSTX and each form specifies that the BSTX Participant clearing on behalf of the other BSTX Participant accepts financial responsibility for all transactions on BSTX that are made by the BSTX Participant designated on the form.

F. BSTX Listing Applications

The Exchange proposes to specify the required forms of listing application, listing agreement and other documentation that listing applicants and listed companies must execute or complete (as applicable) as a prerequisite for initial and ongoing listing on the Exchange, as applicable (collectively, “listing documentation”). As proposed, the listing forms are substantially similar to those currently in use by NYSE American LLC, with certain differences to account for the trading of Securities. All listing documentation will be available on the Exchange’s website (boxoptions.com). Each of the listing documents form a duly authorized representative of the company must sign an affirmation that the information provided is true and correct as of the date the form was signed. In the event that in the future the Exchange makes any substantive changes (including changes to the rights, duties, or obligations of a listed company or listing applicant or the Exchange, or that would otherwise require a rule filing) to such documents, it will submit a rule filing in accordance with Rule 19b-4.³³³

Pursuant to Rule 26130 and 26300 of the Exchange Rules, a company must file and execute the BSTX Original Listing Application (attached as Exhibit 3G) or the BSTX Additional Listing Application (attached as Exhibit 3H) to apply for the listing of Securities on BSTX.³³⁴ The BSTX Original Listing Application provides information necessary, and in accordance with Section 12(b) of the Exchange Act,³³⁵ for Exchange regulatory staff to conduct a due diligence review of a company to determine if it qualifies for listing on the Exchange. The BSTX

³³³ The Exchange will not submit a rule filing if the changes made to a document are solely typographical or stylistic in nature.

³³⁴ Pursuant to proposed Exchange Rule 26130, an applicant seeking the initial listing of its Security must also provide a legal opinion that the applicant’s Security is a security under applicable United States securities laws.

³³⁵ 15 U.S.C. 78l(b).

Additional Listing Application requires certain further information for an additional listing of Securities. Relevant factors regarding the company and securities to be listed would determine the type of information required. The following describes each category and use of application information:

1. Corporate information regarding the issuer of the security to be listed, including company name, address, contact information, Central Index Key Code (CIK), SEC File Number, state and country of incorporation, date of incorporation, whether the company is a foreign private issuer, website address, SIC Code, CUSIP number of the security being listed and the date of fiscal year end. This information is required of all applicants and is necessary in order for the Exchange's regulatory staff to collect basic company information for recordkeeping and due diligence purposes, including review of information contained in the company's SEC filings.
2. For original listing applications only, corporate contact information including the company's Chief Executive Officer, Chief Financial Officer, Corporate Secretary, General Counsel and Investor Relations Officer. This information is required of all initial applicants and is necessary in order for the Exchange's regulatory staff to collect current company contact information for purposes of obtaining any additional due diligence information to complete a listing qualification review of the applicant.
3. For original listing applications only, offering and security information regarding an offering, including the type of offering, a description of the issue, par value, number of Securities outstanding or offered, total Securities unissued, but reserved for issuance, date authorized, purpose of Securities to be issued, number of Securities authorized, and information relating to payment of dividends. This information is required of all

applicants listing Securities on the Exchange, and is necessary in order for the Exchange's regulatory staff to collect basic information about the offering.

4. For original listing applications only, information regarding the company's transfer agent. Transfer agent information is required for all applicants. This information is necessary in order for the Exchange's regulatory staff to collect current contact information for such company transfer agent for purposes of obtaining any additional due diligence information to complete a listing qualification review of the applicant.
5. For original listing applications only, contact information for the outside counsel with respect to the listing application, if any. This information is necessary in order for the Exchange's regulatory staff to collect applicable contact information for purposes of obtaining any additional due diligence information to complete a listing qualification review of the applicant and assess compliance with Exchange Rule 26130.
6. For original listing applications only, a description of any security preferences. This information is necessary to determine whether the Applicant issuer has any existing class of common stock or equity securities entitling the holders to differential voting rights, dividend payments, or other preferences.
7. For original listing applications only, type of Security listing, including the type of transaction (initial public offering of a Security, merger, spin-off, follow on offering, reorganization, exchange offer or conversion) and other details related to the transaction, including the name and contact information for the investment banker/financial advisor contacts. This information is necessary in order for the Exchange's regulatory staff to collect information for such company for purposes of obtaining any additional due diligence information to complete a listing qualification review of the applicant.

8. For original listing applications only, exchange requirements for listing consideration.

This section notes that to be considered for listing, the Applicant Issuer must meet the Exchange's minimum listing requirements, that the Exchange has broad discretion regarding the listing of any Security and may deny listing or apply additional or more stringent criteria based on any event, condition or circumstance that makes the listing of an Applicant Issuer's Security inadvisable or unwarranted in the opinion of the Exchange. The section also notes that even if an Applicant Issuer meets the Exchange's listing standards for listing on the BSTX Security Market, it does not necessarily mean that its application will be approved. This information is necessary in order for the Exchange's regulatory staff to assess whether an Applicant Issuer is qualified for listing.

9. For original listing applications only, regulatory review information, including a certification that no officer, board member or non-institutional shareholder with greater than 10% ownership of the company has been convicted of a felony or misdemeanor relating to financial issues during the past ten years or a detailed description of any such matters. This section also notes that the Exchange will review background materials available to it regarding the aforementioned individuals as part of the eligibility review process. This regulatory review information is necessary in order for the Exchange's regulatory staff to assess whether there are regulatory matters related to the company that render it unqualified for listing.

10. For original listing applications only, supporting documentation required prior to listing approval includes a listing agreement, corporate governance affirmation, Security design affirmation, listing application checklist and underwriter's letter. This documentation is necessary in order to support the Exchange's regulatory staff listing qualification review

(corporate governance affirmation, listing application checklist and underwriter's letter) and to effectuate the listed company's agreement to the terms of listing (listing agreement).

11. For additional listing applications only, transaction details, including the purpose of the issuance, total Securities, date of board authorization, date of shareholder authorization and anticipated date of issuance. This information is required of all applicants listing additional Securities on the Exchange, and is necessary in order for the Exchange's regulatory staff to collect basic information about the offering.
12. For additional listing applications only, insider participation and future potential issuances, including whether any director, officer or principal shareholder of the company has a direct or indirect interest in the transaction, and if the transaction potentially requires the company to issue any Securities in the future above the amount they are currently applying for. This information is required of all applicants listing additional Securities on the Exchange, and is necessary in order for the Exchange's regulatory staff to collect basic information about the offering.
13. For additional listing applications only, information for a technical original listing, including reverse Security splits and changes in states of incorporation. This information is required of all applicants listing additional Securities on the Exchange, and is necessary in order for the Exchange's regulatory staff to collect basic information about the offering.
14. For additional listing applications only, information for a forward Security split or Security dividend, including forward Security split ratios and information related to Security dividends. This information is required of all applicants listing additional

Securities on the Exchange, and is necessary in order to determine the rights associated with the Securities.

15. For additional listing applications only, relevant company documents. This information is required of all applicants listing additional Securities on the Exchange, and is necessary to assess to support the Exchange's regulatory staff listing qualification review.
16. For additional listing applications only, reconciliation for technical original listing, including Securities issued and outstanding after the technical original event, listed reserves previously approved for listing, and unlisted reserves not yet approved by the Exchange. This information is required of all applicants listing additional Securities on the Exchange, and is necessary to assess to support the Exchange's regulatory staff listing qualification review and to obtain all of the information relevant to the offering.

G. Checklist for Original Listing Application

In order to assist issuers seeking to list its Securities on BSTX, the Exchange has provided a checklist for issuers to seeking to file an original listing application with BSTX. The BSTX Listing Application Checklist, attached as Exhibit 3I, provides that issuers must provide BSTX with a listing application, listing agreement, corporate governance affirmation, BSTX Security design affirmation, underwriter's letter (for an initial public offering of a Security only) and relevant SEC filings (e.g., 8-A, 10, 40-F, 20-F). Each of the above referenced forms are fully described herein. The checklist is necessary to assist issuers and the Exchange regulatory staff in assessing the completion of the relevant documents.

H. BSTX Security Market Listing Agreement

Pursuant to proposed Exchange Rule 26132, to apply for listing on the Exchange, a company must execute the BSTX Security Market Listing Agreement (the "Listing Agreement"),

which is attached as Exhibit 3J. Pursuant to the proposed Listing Agreement, a company agrees with the Exchange as follows:

1. Company certifies that it will comply with all Exchange rules, policies, and procedures that apply to listed companies as they are now in effect and as they may be amended from time to time, regardless of whether the Company's organization documents would allow for a different result.
2. Company shall notify the Exchange at least 20 days in advance of any change in the form or nature of any listed Securities or in the rights, benefits, and privileges of the holders of such Securities.
3. Company understands that the Exchange may remove its Securities from listing on the BSTX Security Market, pursuant to applicable procedures, if it fails to meet one or more requirements of Paragraphs 1 and 2 of this agreement.
4. In order to publicize the Company's listing on the BSTX Security Market, the Company authorizes the Exchange to use the Company's corporate logos, website address, trade names, and trade/service marks in order to convey quotation information, transactional reporting information, and other information regarding the Company in connection with the Exchange. In order to ensure the accuracy of the information, the Company agrees to provide the Exchange with the Company's current corporate logos, website address, trade names, and trade/service marks and with any subsequent changes to those logos, trade names and marks. The Listing Agreement further requires that the Company specify a telephone number to which questions regarding logo usage should be directed.
5. Company indemnifies the Exchange and holds it harmless from any third-party rights and/or claims arising out of use by the Exchange or, any affiliate or facility of the

Exchange (“Corporations”) of the Company's corporate logos, website address, trade names, trade/service marks, and/or the trading symbol used by the Company.

6. Company warrants and represents that the trading symbol to be used by the Company does not violate any trade/service mark, trade name, or other intellectual property right of any third party. The Company's trading symbol is provided to the Company for the limited purpose of identifying the Company's security in authorized quotation and trading systems. The Exchange reserves the right to change the Company's trading symbol at the Exchange's discretion at any time.
7. Company agrees to furnish to the Exchange on demand such information concerning the Company as the Exchange may reasonably request.
8. Company agrees to pay when due all fees associated with its listing of Securities on the BSTX Security Market, in accordance with the Exchange's rules.
9. Company agrees to file all required periodic financial reports with the SEC, including annual reports and, where applicable, quarterly or semi-annual reports, by the due dates established by the SEC.

The various provisions of the Listing Agreement are designed to accomplish several objectives. First, clauses 1-3 and 6-8 reflect the Exchange's SRO obligations to assure that only listed companies that are compliant with applicable Exchange rules may remain listed. Thus, these provisions contractually bind a listed company to comply with Exchange rules, provide notification of any corporate action or other event that will cause the company to cease to be in compliance with Exchange listing requirements, evidence the company's understanding that it may be removed from listing (subject to applicable procedures) if it fails to be in compliance or notify the Exchange of any event of noncompliance, furnish the Exchange with requested

information on demand, pay all fees due and file all required periodic reports with the SEC. Clauses four and five contain standard legal representations and agreements from the listed company to the Exchange regarding use of its logo, trade names, trade/service markets, and trading symbols as well as potential legal claims against the Exchange in connection thereto.

I. BSTX Security Market Company Corporate Governance Affirmation

In accordance with the proposed Rule 26800 Series, companies listed on BSTX would be required to comply with certain corporate governance standards, relating to, for example, audit committees, director nominations, executive compensation, board composition, and executive sessions. In certain circumstances the corporate governance standards that apply vary depending on the nature of the company. In addition, there are phase-in periods and exemptions available to certain types of companies. The proposed BSTX Security Market Corporate Governance Affirmation, attached as Exhibit 3K, enables a company to confirm to the Exchange that it is in compliance with the applicable standards, and specify any applicable phase-ins or exemptions. Companies are required to submit a BSTX Security Market Corporate Governance Affirmation upon initial listing on the Exchange and thereafter when an event occurs that makes an existing form inaccurate. This BSTX Security Market Corporate Governance Affirmation assists the Exchange regulatory staff in monitoring listed company compliance with the corporate governance requirements.

J. Security Design Affirmation for the BSTX Security Market

In accordance with proposed Rule 26138, in order for a Security to be admitted to dealings on BSTX, such Security must follow the BSTX Protocol. The BSTX Protocol will be provided via Regulatory Circular and posted on the Exchange's website. The Exchange has included an overview of the BSTX Protocol as Exhibit 3N. The Security Design Affirmation,

attached as Exhibit 3L, enables a company to affirm to the Exchange that it is in compliance with the applicable standards. Companies are required to submit a Security Design Affirmation upon initial listing on the Exchange. This Security Design Affirmation assists the Exchange's staff in verifying that an issuer's Securities meet the requirements of the BSTX Protocol.

K. Sample Underwriter's Letter

In accordance with proposed Rule 26101, an initial public offering of a Security must meet certain listing requirements. The Exchange seeks to require the issuer's underwriter to execute a letter setting forth the details of the offering, including the name of the offering and why the offering meets the criteria of the BSTX rules. This information, set forth in the proposed Sample Underwriter's Letter and attached as Exhibit 3M, is necessary to assist the Exchange's regulatory staff in assessing the offering's compliance with BSTX listing standards for an initial public offering of a Security.

L. BSTX Protocol Summary Overview

BSTX Rule 26138 requires that a BSTX listed company's Securities must comply with the BSTX Protocol to trade on BSTX. Exhibit 3N provides fundamental information related to the Ethereum blockchain and background information on the functions, configurations, and events of the Asset Smart Contract of the BSTX Protocol. Exhibit 3N also provides information on the Registry and Compliance features of the BSTX Protocol.

VII. *Regulation*

In connection with the operation of BSTX, the Exchange will leverage many of the structures it established to operate a national securities exchange in compliance with Section 6 of the Exchange Act.³³⁶ Specifically, the Exchange will extend its Regulatory Services Agreement

³³⁶ 15 U.S.C. 78f.

with FINRA to cover BSTX Participants and trading on the BSTX System. This Regulatory Services Agreement will govern many aspects of the regulation and discipline of BSTX Participants, just as it does for options regulation. The Exchange will perform Security listing regulation, authorize BSTX Participants to trade on the BSTX System, and conduct surveillance of Security trading on the BSTX System.

Section 17(d) of the Exchange Act³³⁷ and the related Exchange Act rules permit SROs to allocate certain regulatory responsibilities to avoid duplicative oversight and regulation. Under Exchange Act Rule 17d-1,³³⁸ the SEC designates one SRO to be the Designated Examining Authority, or DEA, for each broker-dealer that is a member of more than one SRO. The DEA is responsible for the financial aspects of that broker-dealer's regulatory oversight. Because Exchange Participants, including BSTX Participants, also must be members of at least one other SRO, the Exchange would generally not be designated as the DEA for any of its members.³³⁹

Rule 17d-2 under the Exchange Act³⁴⁰ permits SROs to file with the Commission plans under which the SROs allocate among each other the responsibility to receive regulatory reports from, and examine and enforce compliance with specified provisions of the Exchange Act and rules thereunder and SRO rules by, firms that are members of more than one SRO ("common members"). If such a plan is declared effective by the Commission, an SRO that is a party to the plan is relieved of regulatory responsibility as to any common member for whom responsibility is allocated under the plan to another SRO. The Exchange plans to join the Plan for the

³³⁷ 15 U.S.C. 78q(d).

³³⁸ 17 CFR 240.17d-1.

³³⁹ See Exchange Rule 2020(a) (requiring that a Participant be a member of another registered national securities exchange or association).

³⁴⁰ 17 CFR 240.17d-2.

Allocation of Regulatory Responsibilities Regarding Regulation NMS.³⁴¹ The Exchange may choose to join certain Rule 17d-2 agreements such as the agreement allocating responsibility for insider trading rules.³⁴²

For those regulatory responsibilities that fall outside the scope of any Rule 17d-2 agreements that the Exchange may join, subject to Commission approval, the Exchange will retain full regulatory responsibility under the Exchange Act. However, as noted, the Exchange will extend its existing Regulatory Services Agreement with FINRA to provide that FINRA personnel will operate as agents for the Exchange in performing certain regulatory functions with respect to BSTX. As is the case with the Exchange's options trading platform, the Exchange will supervise FINRA and continue to bear ultimate regulatory responsibility for BSTX. Consistent with the Exchange's existing regulatory structure, the Exchange's Chief Regulatory Officer shall have general supervision of the regulatory operations of BSTX, including responsibility for overseeing the surveillance, examination, and enforcement functions and for administering all regulatory services agreements applicable to BSTX. Similarly, the Exchange's existing Regulatory Oversight Committee will be responsible for overseeing the adequacy and effectiveness of Exchange's regulatory and self-regulatory organization responsibilities, including those applicable to BSTX. Finally, as it does with options, the Exchange will perform automated surveillance of trading on BSTX for the purpose of maintaining a fair and orderly market at all times and monitor BSTX to identify unusual trading patterns and determine whether particular trading activity requires further regulatory investigation by FINRA.

In addition, the Exchange will oversee the process for determining and implementing

³⁴¹ Exchange Act Release No. 85046 (February 4, 2019), 84 FR 2643 (February 7, 2019).

³⁴² Exchange Act Release No. 84392 (October 10, 2018), 83 FR 52243 (October 16, 2018).

trade halts, identifying and responding to unusual market conditions, and administering the Exchange's process for identifying and remediating "clearly erroneous trades" pursuant to proposed Rule 25110. The Exchange shall also oversee the onboarding and application process for BSTX Participants as well as compliance by issuers of Securities with the applicable initial and continuing listing requirements, including compliance with the BSTX Protocol.³⁴³

VIII. NMS Plans

The Exchange intends to join the Order Execution Quality Disclosure Plan, the Plan to Address Extraordinary Market Volatility, the Plan Governing the Process of Selecting a Plan Processor, and the applicable plans for consolidation and dissemination of market data. The Exchange is already a participant in the NMS plan related to the Consolidated Audit Trail. Consistent with Section 6(b)(5) of the Exchange Act,³⁴⁴ the Exchange believes that joining the same set of NMS plans that all other national securities exchanges that trade equities must join fosters cooperation and coordination with other national securities exchanges and other market participants engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities.

(b) Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of the Exchange Act,³⁴⁵ in general and with Section 6(b)(5) of the Exchange Act,³⁴⁶ in particular, in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with

³⁴³ See proposed Exchange Rules 26230 (Security Architecture Audit) and 26138 (BSTX Protocol).

³⁴⁴ 15 U.S.C. 78f(b)(5).

³⁴⁵ 15 U.S.C. 78a et seq.

³⁴⁶ 15 U.S.C. 78f(b)(5).

respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest; and it is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers, or to regulate by virtue of any authority conferred by this title matters not related to the purposes of this title or the administration of the Exchange.

The Exchange believes that BSTX will benefit individual investors, other market participants, and the equities market generally. The Exchange proposes to establish BSTX as a facility of the Exchange that would trade equities in a similar manner to how equities presently trade on other exchanges. However, BSTX would also require reporting of end-of-day Security balances to the Exchange in order to facilitate the use of blockchain technology as an ancillary recordkeeping mechanism. The Exchange believes that using blockchain technology as an ancillary recordkeeping mechanism that operates in parallel with the traditional trading, recordkeeping, and clearance and settlement structures that market participants are familiar with is an important first step toward exploring the potential uses and benefits of blockchain technology in securities transactions. The entry of an innovative competitor such as BSTX seeking to implement a measured introduction of blockchain technology in connection with the trading of equity securities may promote competition by encouraging other market participants to find ways of using blockchain technology in connection with securities transactions. The proposed regulation of BSTX and BSTX Participants, as well as the execution of Securities using a price-time priority model and the clearance and settlement of Securities will all operate in a manner substantially similar to existing equities exchanges. In this way, the Exchange believes that BSTX provides a robust regulatory structure that protects investors and the public interest while introducing the use of blockchain technology as an ancillary recordkeeping

mechanism in connection with listed equity securities.

In order to implement the use of blockchain technology as an ancillary recordkeeping mechanism, the Exchange proposes two requirements pursuant to proposed Rule 17020 to: (i) obtain a wallet address through BSTX to which end-of-day Security balances may be recorded to the Ethereum blockchain as an ancillary recordkeeping mechanism; and (ii) requiring BSTX Participants to report their end-of-day Security balances to BSTX to facilitate updates to the Ethereum blockchain as an ancillary recordkeeping mechanism to reflect changes in ownership as a result of trading Securities.

The Exchange believes that the proposed address whitelisting and end-of-day Security balance reporting requirement is consistent with the Exchange Act, and Section 6(b)(5)³⁴⁷ in particular, because it is designed to foster cooperation and coordination with persons engaged in regulating, clearing, settling, and processing information with respect to transactions in Securities and does not unfairly discriminate among BSTX Participants, all of whom are subject to the same wallet address and end-of-day reporting requirement. The requirement to obtain a wallet address is a one-time, minimal obligation similar to obtaining an MPID or other market participant identifier that is applicable to each BSTX Participant. The end-of-day Security balance reporting obligation would be used to update the Ethereum blockchain as an ancillary recordkeeping mechanism, which the Exchange believes would be a first step in demonstrating the potential use of blockchain technology in connection with securities transactions. The Exchange does not propose to charge a fee in connection with either of these requirements. As discussed in greater detail above,³⁴⁸ the Exchange believes that these proposed requirements are

³⁴⁷ 15 U.S.C. 78f(b)(5).

³⁴⁸ See supra Parts II.G. through J for further discussion regarding why these proposed requirements are consistent with the Exchange Act.

consistent with the Exchange Act as they are necessary to facilitate the blockchain-based ancillary recordkeeping mechanism and are consistent with authority that the Commission has already approved for exchanges regarding furnishment of records by members of the exchange. The Exchange believes that blockchain technology offers potential benefits to investors, and while such benefits may not be immediately evident while the blockchain is used only as ancillary recordkeeping mechanism, the Exchange believes that a measured and gradual introduction of blockchain technology is a useful way to explore these potential benefits that is consistent with the protection of investors and the public interest.

The Exchange also believes that the proposed rule change is consistent with Section 11A of Exchange Act which sets forth the Commission's authority to establish and maintain a national market system.³⁴⁹ In setting forth the Commission's authority to establish a national market system, Congress expressly contemplated that the national market system "may include use of subsystems for particular types of securities with unique trading characteristics."³⁵⁰ The Exchange has proposed here a type of security (i.e., Securities) that trade, clear, and settle entirely within the scope and using the same processes as the existing national market system, but that pursuant to the proposed BSTX Rules would have the unique characteristic of an end-of-day Security balance reporting process as an ancillary recordkeeping function using the "subsystem" of blockchain technology.³⁵¹ The clear intent of Congress was to provide for a

³⁴⁹ 15 U.S.C. 78k-1.

³⁵⁰ 15 U.S.C. 78k-1(a)(2).

³⁵¹ The Exchange notes that to the extent the Commission believes that the ancillary recordkeeping process regarding Securities under the proposed BSTX Rules is not a "unique trading characteristic" of Securities for purposes of Section 11A of the Exchange Act insofar as it does not directly relate to "trading" of Securities, then there would not be any concern with respect to Securities regarding consistency with Section 11A. In other words, either the ancillary recordkeeping process is a unique trading characteristic of Securities as explicitly contemplated

national market system that could include such “securities with unique trading characteristics.” For these reasons the Exchange believes that the proposed rule change is consistent with Section 11A of the Exchange Act.

Finally, the Exchange believes that the proposal is consistent with Section 6(b)(5) of the Exchange Act because the BSTX Rules would not be designed to regulate by virtue of any authority conferred by the Exchange Act matters that are not related to the purposes of the Exchange Act or the administration of the Exchange. Congress adopted Section 2 of the Exchange Act to set forth the reasons for the necessity of the Exchange Act, which expressly include that “transactions in securities as commonly conducted upon securities exchanges and over-the-counter markets are effected with a national public interest which makes it necessary to provide for regulation and control of such transactions *and of practices and matters related thereto*, including . . . *to require appropriate reports[.]*”³⁵² [emphasis added]. The Exchange Act and rules of self-regulatory organizations, including national securities exchanges and national securities associations, include reporting requirements that regulate and control matters and practices related to securities transactions conducted on securities exchanges and in the over-the-counter markets. For example, all of the U.S. options exchanges and FINRA maintain rules approved by the Commission that require their member broker-dealers to prepare and submit daily large options position reports to a third-party administrator that maintains a large options position reporting system.³⁵³ These large option positions reports are not reports regarding the trading or clearance and settlement of securities transactions themselves but, instead, are reports

by Congress as part of the national market system or it is not a unique trading characteristic of Securities because they will trade, clear, and settle the same as all other NMS stock. In the latter case, Securities would be consistent with Section 11A just like all other NMS stock.

³⁵² 15 U.S.C. 78(b).

³⁵³ See e.g., FINRA Rule 2360(b)(5) and Cboe Rule 8.43.

that are related to end-of-day positions of the members of the options exchange and/or FINRA in a particular class of standardized or over-the-counter securities option. As described above, the proposed BSTX Rules regarding the ancillary recordkeeping process would similarly require BSTX Participants to provide reports regarding their end-of-day positions in Securities. Also as described above, the Exchange believes that the requirements regarding the ancillary recordkeeping process will promote the use of the functionality of smart contracts and their ability to allocate and re-allocate Security balances in tokenized form across multiple addresses in connection with end-of-day Security position balance information of BSTX Participants such that the requirements will allow market participants to observe and increase their familiarity with the capabilities and potential benefits of blockchain technology in a context that parallels current equity market infrastructure and thereby advances and protects the public's interest in the use and development of new data processing techniques that may create opportunities for more efficient, effective and safe securities markets.³⁵⁴

Item 4. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act. The Exchange operates in an intensely competitive global marketplace for transaction services. Relying on its array of services and benefits, the Exchange competes for the privilege of providing market services to broker-dealers. The Exchange's ability to compete in this environment is based in large part on the quality of its trading systems, the overall quality of its market and its attractiveness to the largest number of investors, as measured by speed, likelihood

³⁵⁴ Report of the Senate Committee on Banking, Housing & Urban Affairs, S. Rep. No. 94-75, at 8 (1975) (expressing Congress' finding that new data processing and communications systems create the opportunity for more efficient and effective markets).

and costs of executions, as well as spreads, fairness, and transparency.

The Exchange believes that the primary areas where the proposed rule change has the potential to result in a burden on competition are with regard to the terms on which: (1) issuers may list their securities for trading, (2) market participants that may access the Exchange and use its facilities, (3) Security transactions may be cleared and settled, (4) Security transactions occurring OTC, and (5) Security transactions occurring on other exchanges that might extend unlisted trading privileges to Securities.

Regarding considerations (1) and (2), and as described in detail in Item 3 above, the BSTX Rules are drawn substantially from the existing rules of other exchanges that the Commission has already found to be consistent with the Exchange Act, including regarding whether they impose any burden on competition that is not necessary or appropriate in furtherance of its purposes. For example, the BSTX Listing Rules in the 26000 and 27000 Series that affect issuers and their ability to list Securities for trading are based substantially on the current rules of NYSE American. The Exchange has proposed that issuers would be required to create and maintain a Security compliant with the BSTX Protocol. The Exchange recognizes that these requirements are additional to those of other exchanges. However, the Exchange does not believe this poses a burden on competition because issuers are free to choose to list on other exchanges without such requirements. The Exchange believes that these requirements may attract issuers that are interested in exploring the potentials of blockchain technology.

Additionally, the BSTX Rules regarding membership and access to and use of the facilities of BSTX are also substantially based on existing exchange rules. Specifically, the relevant BSTX Rules are as follows: participation on BSTX (Rule 18000 Series); business conduct for BSTX participants (Rule 19000 Series); financial and operational rules for BSTX participants (Rule

20000 Series); supervision (Rule 21000 Series); miscellaneous provisions (Rule 22000 Series); trading practices (Rule 23000 Series); discipline and summary suspension (Rule 24000 Series); trading (Rule 25000 Series); market making (Rule 25200 Series); and dues, fees, assessments, and other charges (Rule 28000 Series). As described in detail in Item 3, these rules are substantially based on analogous rules of the following exchanges, as applicable: BOX; Investors Exchange LLC; Cboe BZX Exchange, Inc.; The Nasdaq Stock Market LLC; and NYSE American LLC. The address whitelisting and end-of-day Security balance reporting requirements to facilitate the use of the Ethereum blockchain as an ancillary recordkeeping mechanism in proposed Rule 17020 would apply equally to all BSTX Participants and therefore would not impose any different burden on one BSTX Participant compared to another. The Exchange believes that these requirements would impose only a minimal burden on BSTX Participants that is unlikely to materially impact the competitive balance among investors and traders of Securities.

Regarding consideration (3) above and the manner in which Security transactions may be cleared and settled, the Exchange proposes to clear and settle Securities in accordance with the rules, policies and procedures of a registered clearing agency, similar to how the Exchange believes other exchange-listed equity securities are cleared and settled today. Therefore, BSTX's rules do not impose any burden on competition regarding the manner in which trades may be cleared or settled because market participants would be able to clear and settle Security transactions in substantially the same manner as they already clear and settle transactions in other types of NMS stock.

With respect to consideration (4) above, as previously noted, market participants would not be limited in their ability to trade Securities OTC because Securities could be traded OTC

and would be cleared and settled in the same manner as other NMS stocks through the facilities of a registered clearing agency. Thus, the Exchange does not believe that its proposal will place any new burden on competition with respect to OTC trading, given that trading, clearance and settlement will take place in the same manner as for other NMS stocks. The Exchange acknowledges that BSTX Participants would be subject to additional requirements (i.e., acquiring a wallet address and end-of-day Security balance reporting pursuant to proposed Rule 17020) that are not required of non-BSTX Participants trading Securities. The Exchange believes that these additional requirements impose only a minimal burden on BSTX Participants and should not have any material or undue burden or impact on competition between BSTX Participants and non-BSTX Participants. Acquiring a wallet address is a one-time burden that can be readily addressed by contacting the Exchange, and the end-of-day Security balance reporting requests only that the BSTX Participant, either directly or through its carrying firm, report information that it (or its carrying firm) already has available to it from DTC on a daily basis regarding the balance of Securities held.

Finally, with respect to consideration (5) noted above regarding other exchanges extending unlisted trading privileges to Securities, the Exchange does not believe that the proposed Rules would impose a burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act. Securities would trade, clear, and settle in the same manner as other NMS stock. Accordingly, other exchanges would be able to extend unlisted trading privileges to Securities in accordance with Commission rules.³⁵⁵

³⁵⁵ In the SIFMA April Letter, SIFMA asked whether other exchanges would be able to access the distributed ledger technology that BSTX proposes to use, which is the Ethereum blockchain. SIFMA April Letter at 4. The Exchange notes that use of Ethereum technology is not exclusive to BSTX. Ethereum is an open source public blockchain that supports smart contract functionality. Thus, all market participants would have open access to the distributed ledger

Item 5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

Written comments were not and are not intended to be solicited with respect to the proposed rule change and none have been received.

Item 6. Extension of Time Period for Commission Action

Not applicable.

Item 7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)

Not applicable.

Item 8. Proposed Rule Change Based on Rule of Another Self-Regulatory Organization or of the Commission

As described in further detail above in connection with the discussion of proposed Exchange Rules, many of the proposed Rules are based on the rules of other national securities exchanges, including, but not limited to, IEX, Cboe BZX, and NYSE American.

Item 9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

Item 10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

Item 11. Exhibits

Exhibit 1. Completed Notice of Proposed Rule Change for publication in the Federal Register.

technology associated with the proposal.

- Exhibit 3A. Proposed BSTX Participant Application.
- Exhibit 3B. Proposed BSTX Participant Agreement.
- Exhibit 3C. Proposed BSTX Participant User Agreement
- Exhibit 3D. Proposed Designated Market Maker Selection
- Exhibit 3E. Proposed BSTX Participant Clearing Authorization (Non-Market Maker).
- Exhibit 3F. Proposed BSTX Participant Clearing Authorization (Market Maker).
- Exhibit 3G. Proposed BSTX Original Listing Application
- Exhibit 3H. Proposed BSTX Additional Listing Application
- Exhibit 3I. Proposed BSTX Listing Application Checklist
- Exhibit 3J. Proposed BSTX Listing Agreement
- Exhibit 3K. Proposed BSTX Security Market Corporate Governance Affirmation
- Exhibit 3L. Proposed BSTX Security Design Affirmation
- Exhibit 3M. Proposed Sample Underwriter's Letter
- Exhibit 3N. BSTX Protocol
- Exhibit 4. Proposed changes to draft Rules by amendment
- Exhibit 5A. Proposed BSTX Rules
- Exhibit 5B. Proposed changes to BOX Rules

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, BOX Exchange LLC has caused this filing to be signed on its behalf by the undersigned hereunto duly authorized.

BOX Exchange LLC

By: _____

Lisa Fall

President

EXHIBIT 1**SECURITIES AND EXCHANGE COMMISSION**
(Release No. 34- ; File No. SR-BOX-2020-14)

Self-Regulatory Organizations; BOX Exchange LLC; Notice of Filing of Proposed Rule Change Related to Adopt Rules to Govern the Trading of Equity Securities on the Exchange Through a Facility of the Exchange Known as the Boston Security Token Exchange LLC

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on [DATE], BOX Exchange LLC (the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 as amended (“Exchange Act”),³ BOX Exchange LLC (“BOX or the “Exchange”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to adopt rules to govern the trading of equity securities on the Exchange through a facility of the Exchange known as Boston Security Token Exchange LLC (“BSTX”). As described more fully below, BSTX would operate a fully automated, price/time priority execution system for the trading of “Securities,” which would be equity securities that meet BSTX listing standards and for which ancillary records of ownership would be able to be created and maintained using distributed ledger (or

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(1).

“blockchain”) technology. The proposed additions to the Exchange’s Rules setting forth new Rule Series 17000 – 28000 are included as Exhibit 5A. All text set forth in Exhibit 5A would be added to the Exchange’s rules and therefore underlining of the text is omitted to improve readability. Forms proposed to be used in connection with the proposed rule change, such as the application to become a BSTX Participant, are included as Exhibits 3A through 3N.

In addition, the Exchange proposes to make certain amendments to several existing BOX Rules to facilitate trading on BSTX. The proposed changes to the existing BOX Rules would not change the core purpose of the subject Rules or the functionality of other BOX trading systems and facilities. Specifically, the Exchange is seeking to amend BOX Rules 100, 2020, 2060, 3180, 7130, 7150, 7230, 7245, IM-8050-3, 11010, 11030, 12030, and 12140. These proposed changes are set forth in Exhibit 5B. Material proposed to be added to the Rule as currently in effect is underlined and material proposed to be deleted is bracketed.

All capitalized terms not defined herein have the same meaning as set forth in the Exchange’s Rules.⁴

The text of the proposed rule change is available from the principal office of the Exchange, at the Commission’s Public Reference Room and also on the Exchange’s Internet website at <http://boxoptions.com>.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed

⁴ The Exchange’s Rules can be found on the Exchange’s public website: <https://boxoptions.com/regulatory/rulebook-filings/>.

any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange is proposing to adopt a series of rules to govern the trading of equity securities through a facility of the Exchange known as BSTX and make certain amendments to the existing BOX rules to facilitate trading on BSTX.⁵ As described more fully below, BSTX would operate a fully automated, price/time priority execution system (“BSTX System”) for the trading of securities that will be considered “Securities” under the proposed rules. The “Securities”⁶ under the proposed rules would be equity

⁵ The Exchange notes that the proposed rule change was previously filed with the Commission as SR-BOX-2019-19, Exchange Act Release No. 87287 (Oct. 11, 2019), 84 FR 56002 (October 18, 2019) and was amended twice. See Exchange Act Release No. 88634 (Apr. 14, 2020), 85 FR 21906 (Apr. 20, 2020). This proposal (SR-BOX-2020-14) is substantively identical to SR-BOX-2019-19, as amended. The Exchange proposes an amendment to SR-BOX-2020-14 to address certain additional comments received from Commission staff as well as to address the comment letter received on the proposal. See Letter from Ellen Greene, Managing Director, Equities & Options Market Structure, Securities Industry and Financial Markets Association (“SIFMA”) and Thomas F. Price, Managing Director Operations, Technology, Cyber & BCP, SIFMA, to Vanessa Countryman, Secretary, Commission (June 23, 2020) (“SIFMA June Letter”), <https://www.sec.gov/comments/sr-box-2020-14/srbox202014-7340739-218667.pdf>. The primary changes to the proposal set forth in this amendment are to: (i) eliminate the proposed use of T+1 as the standard settlement cycle for trades occurring on BSTX, meaning that trades will now settle “regular way” on a T+2 basis; (ii) provide additional clarifying guidance with respect to certain aspects of the proposal; and (3) change the name of BSTX-listed securities from “security tokens” to “Securities.”

⁶ As discussed further below, BSTX proposes to use the term “Security” to refer to BSTX-listed securities to distinguish them from other securities that are not designed to use blockchain technology as an ancillary recordkeeping mechanism. Given that an investor seeking to obtain a Security would go through the normal channels of investing

securities that meet BSTX listing standards, and that trade on the BSTX System, and for which ancillary records of ownership would be able to be created and maintained using distributed ledger technology. These ancillary records of ownership that would be maintained using distributed ledger technology would not be official records of Security ownership. Instead, as described further herein, such records would be ancillary records that would reflect certain end-of-day Security position balance information as reported by market participants. All BOX Participants would be eligible to participate in BSTX provided that they become a BSTX Participant pursuant to the proposed rules. Under the proposed rules, BSTX would serve as the listing market for eligible companies that wish to issue their registered securities as Securities. Securities would trade as NMS stock.⁷ The Exchange is not proposing rules that would support its extension of unlisted trading privileges to other NMS stock, and accordingly the Exchange does not intend to extend any such unlisted trading privileges in connection with this proposal. The Exchange would therefore only trade Securities listed on BSTX unless and until it proposes and receives Commission approval for rules that would support trading in other types of securities, including through any extension of unlisted trading privileges to other NMS stock. A guide to the structure of the proposed rule change is described immediately below.

I. *Guide to the Scope of the Proposed Rule Change*

as he would for other NMS stock (e.g., through his or her broker) rather than the process for obtaining a blockchain-native asset by accessing a cryptocurrency exchange and/or a hardware wallet, there appears to be little opportunity for confusion. Even if some form of confusion occurred regarding whether an asset was an uncertificated security held at DTC versus a blockchain-native asset, such confusion would not be meaningful since an investor would receive equity rights in the listing company in either case.

⁷ 17 CFR 242.600(b)(48).

The proposal for trading of securities that will be “Securities” (under the BSTX Rules, as defined below) through BSTX generally involves changes to existing BOX Rules and new BOX Rules pertaining specifically to BSTX (“BSTX Rules”). In addition, BSTX corporate governance documents as well as certain discrete changes to existing BOX corporate governance documents are necessary, which the Exchange has submitted to the Commission through separate proposed rule changes. To support the trading of Securities through BSTX, certain conforming changes are proposed to existing BOX Rules and entirely new BSTX Rules are also proposed as Rule Series 17000 through 28000.⁸ Each of those new Rule Series and the provisions thereunder are described in greater detail below. Where the BSTX Rules are based on existing rules of another national securities exchange, the source rule from the relevant exchange is noted along with a discussion of notable differences between the source rule and the proposed BSTX Rule. The proposed BSTX Rules are addressed in Part III below and they generally cover the following areas:

- Section 17000 – General Provisions of BSTX;
- Section 18000 – Participation on BSTX;
- Section 19000 – Business Conduct for BSTX Participants;
- Section 20000 – Financial and Operational Rules for BSTX Participants;
- Section 21000 – Supervision;
- Section 22000 – Miscellaneous Provisions;
- Section 23000 – Trading Practice Rules;
- Section 24000 – Discipline and Summary Suspension;

⁸ The proposed changes to BOX Rules and the proposed BSTX Rules are attached as Exhibits 5B and 5A, respectively.

- Section 25000 – Trading Rules;
- Section 25200 – Market Making on BSTX;
- Section 26000 – BSTX Listing Rules;
- Section 27000 – Suspension and Delisting;
- Section 27100 – Guide to Filing Requirements;
- Section 27200 – Procedures for Review of Exchange Listing Determinations; and
- Section 28000 – Dues, Fees, Assessments and Other Charges.

II. *Overview of BSTX and Considerations Related to the Listing, Trading and Clearance and Settlement of Securities*

A. The Joint Venture and Ownership of BSTX

On June 19, 2018, t0.com Inc. (“tZERO”) and BOX Digital Markets LLC (“BOX Digital”) announced a joint venture to facilitate the trading of Securities on the Exchange.⁹ As part of the joint venture, BOX Digital, which is a subsidiary of BOX Holdings Group LLC, and tZERO each own 50% of the voting class of equity and over 45% economic interest of BSTX LLC. Pursuant to the BSTX LLC Agreement, BOX Digital and tZERO will perform certain specified functions with respect to the operation of BSTX. As noted, these details, as well as the proposed governance structure of the joint venture and accompanying changes to the Exchange’s current governance documents and bylaws, will be the subject of a separate proposed rule change that the Exchange plans to submit to the Commission.

B. BSTX Is a Facility of BOX That Would Support Trading in the

⁹ See tZERO and BOX Digital Markets Sign Deal to Create Joint Venture, Business Wire (June 19, 2018), [available at https://www.businesswire.com/news/home/20180619005897/en/tZERO-BOX-Digital-Markets-Sign-Deal-Create](https://www.businesswire.com/news/home/20180619005897/en/tZERO-BOX-Digital-Markets-Sign-Deal-Create).

New Asset Class of Securities for BOX

BSTX would operate as a facility¹⁰ of BOX, which is a national securities exchange registered with the SEC. As a facility of BOX, BSTX's operations would be subject to applicable requirements in Sections 6 and 19 of the Exchange Act, among other applicable rules and regulations.¹¹ Currently, BOX functions as an exchange only for standardized options. While BSTX may eventually support a wider variety of securities, subject to Commission approval, at the time that BSTX commences operations it would only support trading in Securities that are equity securities. Accordingly, this represents a new asset class for BOX, and this proposal sets forth the changes and additions to the Exchange's rules to support the trading of equity securities as Securities on BSTX.

The Exchange proposes to use the term "Security"¹² to describe the BSTX-listed securities that would use blockchain technology as an ancillary recordkeeping mechanism, as described in further detail below. However, ownership of securities that are Securities under the BSTX rules would still be able to be transferred without regard to the blockchain-based ancillary recordkeeping functionality (as also described further below). Notwithstanding this, the Exchange believes that it is appropriate to use the term

¹⁰ 15 U.S.C. 78c(a)(2). Section 3(a)(2) of the Exchange Act, provides that "the term 'facility' when used with respect to an exchange includes its premises, tangible or intangible property whether on the premises or not, any right to the use of such premises or property or any service thereof for the purpose of effecting or reporting a transaction on an exchange (including, among other things, any system of communication to or from the exchange, by ticker or otherwise, maintained by or with the consent of the exchange), and any right of the exchange to the use of any property or service." Because BSTX will share certain systems of the Exchange, BSTX is a facility of the Exchange.

¹¹ 15 U.S.C. 78f; 15 U.S.C. 78s.

¹² The Exchange proposes to define the term "Security" to mean NMS stock, as defined in Rule 600(b)(47) of the Exchange Act, trading on the BSTX System and for which ancillary Ethereum blockchain records are maintained under the BSTX Rules. See proposed Rule 17000(a)(30).

“Securities” to distinguish them from other securities for which there is no related legal and regulatory structure that is designed to use blockchain technology as an ancillary recordkeeping mechanism and as a way of indicating the additional proposed obligations of BSTX Participants trading Securities to obtain a wallet address and report end-of-day Security balances to BSTX.¹³ The legal significance, therefore, of a “Security” is that it will be an equity security that is approved for listing on BSTX, and that trades on the BSTX System, and for which BSTX Participants are therefore required under BSTX Rule 17020 to obtain a whitelisted wallet address and report certain end-of-day Security position balance information to BSTX. A security that is offered by an issuer with the intent of it becoming listed on BSTX would therefore not become a “Security” under the proposed BSTX Rules unless and until it actually does become listed on BSTX and trades on the BSTX System. The Exchange believes that the obligations on a BSTX Participant under the proposal to obtain a wallet address and to report certain end-of-day Security position balance information to BSTX are the only legal rights or obligations associated with Securities that would differ from how NMS stock is generally traded by market participants today.¹⁴

C. Securities Would Be NMS Stocks

The Securities would qualify as NMS stocks pursuant to Regulation NMS,¹⁵ which defines the term “NMS security” in relevant part to mean “any security or class of securities for which transaction reports are collected, processed and made available

¹³ See Part II, Sections G and J for further description of these obligations.

¹⁴ The Exchange notes that its proposed Rule 17000(a)(30) defines “Security” to mean an “NMS stock, as defined in Rule 600(b)(47) of the Exchange Act, trading on the BSTX System and for which ancillary Ethereum blockchain records are maintained. . .”

¹⁵ 17 CFR 242.600 through 613.

pursuant to an effective transaction reporting plan”¹⁶ The Exchange plans to join existing transaction reporting plans, as discussed in Part VIII below, for the purposes of Security quotation and transaction reporting.¹⁷ The term “NMS stock” means “any NMS security other than an option”¹⁸ and therefore Securities traded on BSTX that represent equity securities will be classified as NMS stock.

Securities would meet the definition of NMS stocks and would trade, clear, and settle in the same manner as all other NMS stocks traded today. The Exchange will also collect ancillary records related to Securities, as discussed herein. In this way, Securities are entirely compatible with the existing NMS structure, with one additional reporting and recordkeeping component specific to BSTX Participants.¹⁹ As described in further detail below, the ancillary recordkeeping process would in no way modify or alter market participants’ obligations under Regulation NMS.

¹⁶ 17 CFR 242.600(b)(47).

¹⁷ 17 CFR 242.601(a)(1). The Rule states in relevant part that “every national securities exchange shall file [with the SEC] a transaction reporting plan regarding transactions in listed equity and Nasdaq securities executed through its facilities”

¹⁸ 17 CFR 242.600(b)(47).

¹⁹ The SIFMA June Letter stated primarily that SIFMA believed that the Exchange had not fully addressed the concerns SIFMA raised in an earlier comment submitted to SR-BOX-2019-19 in April 2020, though SIFMA only noted a single specific example regarding the proposed use of T+1 settlement rather than T+2 settlement. See Letter from Ellen Greene, Managing Director, Equities & Options Market Structure, SIFMA and Thomas F. Price, Managing Director Operations, Technology, Cyber & BCP, SIFMA, to Vanessa Countryman, Secretary, Commission, re: SR-BOX-2019-19 (Apr. 22, 2020) (“SIFMA April Letter”) <https://www.sec.gov/comments/sr-box-2019-19/srbox201919-7105488-215831.pdf>. The Exchange responded to the SIFMA April Letter on April 27, 2020. See Letter from Lisa Fall, president, BOX Exchange LLC to Vanessa Countryman, Secretary, Commission re: SR-BOX-2019-19 (Apr. 27, 2020), <https://www.sec.gov/comments/sr-box-2019-19/srbox201919-7105488-215831.pdf>. The Exchange proposes to eliminate T+1 settlement in this amendment and instead expects that trades would clear through NSCC using T+2 settlement as is the case today on the other equities exchanges for confirmed trades in NMS stock. The Exchange has endeavored to address other concerns raised in the SIFMA April Letter through this amendment 1.

D. BSTX Would Support Trading of Registered Securities

All Securities traded on BSTX would generally be required to be registered with the Commission under both Section 12 of the Exchange Act²⁰ and Section 6 of the Securities Act of 1933 (“Securities Act”).²¹ BSTX would not support trading of Securities offered under an exemption from registration for public offerings, with the exception of certain offerings under Regulation A that meet the proposed BSTX listing standards.

E. Clearance and Settlement of Securities

BSTX would maintain certain rules, as described below, to address custody, clearance and settlement in connection with Securities. All transactions in Securities would clear and settle in accordance with the rules, policies and procedures of registered clearing agencies. Specifically, BSTX anticipates that at the time it commences operations, Securities that are listed and traded on BSTX would be securities that have been made eligible for services by The Depository Trust Company (“DTC”) and that DTC would serve as the securities depository²² for such Securities. It is also expected that confirmed trades in Securities on BSTX would be transmitted to National Securities Clearing Corporation (“NSCC”) for clearing such that NSCC would clear the trades through its systems to produce settlement

²⁰ 15 U.S.C. 78l.

²¹ 15 U.S.C. 77f.

²² 15 U.S.C. 78c(a)(23)(A). Section 3(a)(23)(A) of the Exchange Act defines the term “clearing agency” to include “any person, such as a securities depository, who (i) acts as a custodian of securities in connection with a system for the handling of securities whereby all securities of a particular class or series of any issuer deposited within the system are treated as fungible and may be transferred, loaned, or pledged by bookkeeping entry without physical delivery of securities certificates, or (ii) otherwise permits or facilitates the settlement of securities transactions or the hypothecation or lending of securities without physical delivery of securities certificates.”

obligations that would be due for settlement between participants at DTC. BSTX believes that this custody, clearance and settlement structure is the same general structure that exists today for other exchange traded equity securities. Importantly, for purposes of NSCC's clearing activities and DTC's settlement activities in respect of the Securities, the relevant securities will be cleared and settled by NSCC and DTC in exactly the same manner as those activities are performed by NSCC and DTC currently regarding a class of NMS Stock.²³ This is because the ancillary recordkeeping process that will be implemented through the operation of the proposed BSTX Rules will occur separate and apart from the clearance and settlement process and the security itself will not exist in tokenized form. Rather, the security will be an ordinary equity security for NSCC's and DTC's purposes. The tokenized feature in connection with the security that will be implemented through the operation of BSTX's Rules is that there will also be a separate, ancillary recordkeeping process that will use distributed ledger technology to record BSTX Participant end-of-day position balance information for the relevant security.

²³ In the SIFMA April Comment Letter, the Exchange believes SIFMA mischaracterized the Proposal as "encouraging the adoption of [distributed ledger] technology with the likely eventual goal of having it become a system for tracking equity security ownership outside of the current system maintained by DTC and broker-dealers." SIFMA April Comment Letter at 3. This comment is unfounded and without merit. The proposal is bounded by its terms and is designed to operate entirely within the existing equity market structure – including its requirements for clearance through NSCC and settlement through DTC. It is precisely because the Exchange is sensitive to market participants' concerns related to the introduction and use of new technology that it has proposed a use of blockchain that is consistent with existing market infrastructure and regulation. Any future changes to this model would be subject to the Commission's rule filing process under Section 19 of the Exchange Act and public notice and comment. The Exchange further believes as a general matter that it is incorrect to dismiss any possible application of new technology simply because it has the potential to disrupt current ways of operating in the future. Similar claims were voiced with the introduction of computer technology to trading during the shift away from manual markets to toward electronic markets.

1. Issuance of Equity Securities Eligible to Become a Security

With the exception of certain offerings under Regulation A that meet the proposed BSTX listing standards, all Securities traded on BSTX will have been offered and sold in registered offerings under the Securities Act, which means that purchasers of the Securities will benefit from all of the protections of registration. The Division of Corporation Finance will need to make a public interest finding in order to accelerate the effectiveness of the registration statements for these offerings. Because BSTX is a facility of a national securities exchange, all Securities will be registered under Section 12(b) of the Exchange Act, thereby subjecting all of these issuers to the reporting regime in Section 13(a) of the Exchange Act.

All offerings of securities that are intended to be listed as Securities on BSTX will be conducted in the same general manner in which offerings of exchange-listed equity securities are conducted today under the federal securities laws. An issuer will enter into a firm commitment or best efforts underwriting agreement with a sole underwriter or underwriting syndicate; the underwriter(s) will market the securities and distribute them to purchasers; and secondary trading in the securities (that are intended to trade on BSTX as Securities) will thereafter commence on BSTX. The ancillary recordkeeping function associated with the Security will not commence until the conclusion of the first day of the Security's secondary trading on BSTX pursuant to proposed BSTX Rule 17020.²⁴

²⁴ Although the smart contract that would be used to carry out the ancillary recordkeeping function related to the security would need to be built by or at the direction of the issuer prior to the commencement of the security's trading on BSTX, the corresponding smart contract would effectively remain dormant until the ancillary recordkeeping process contemplated under the proposed BSTX Rules is activated due to trading on the BSTX System in that Security.

Issuers on BSTX could include both (1) new issuers who do not currently have any class of securities registered on a national securities exchange, and (2) issuers who currently have securities registered on a national securities exchange and who are seeking registration of a separate class of equity securities for listing on BSTX. BSTX does not intend for Securities listed, or intended to be listed, on BSTX to be fungible with any other class of securities from the same issuer.²⁵ If an issuer sought to list securities on BSTX that are not a separate class of an issuer's securities, BSTX does not intend to approve such a class of security for listing on BSTX, pursuant to BSTX's authority under BSTX Rule 26101. At the commencement of BSTX's operations, only equity securities would be eligible for listing as Securities. This would be addressed by BSTX Rules 26102 (Equity Issues), 26103 (Preferred Securities) and 26105 (Warrant Securities), which would be part of BSTX's listing rules and would contemplate that only those specified types of equity securities would be eligible for listing.

2. Securities Depository Eligibility

BSTX would maintain rules that would promote a structure in which Securities would be held in "street name" with DTC.²⁶ BSTX Rule 26136 would require that for an

²⁵ BSTX notes that market participants, including SIFMA, have asked why Securities listed on BSTX would not be fungible with another class of securities from the same issuer and what the implications of this might be. The Exchange notes that Securities would not be fungible with another class of securities of the same issuer because no class of an issuer's securities is fungible with a separate class of its securities – otherwise they would be the same class of security. Nothing herein proposes any change to existing framework for different classes of securities.

²⁶ The term "street name" refers to a securities holding structure in which DTC, through its nominee Cede & Co., would be the registered holder of the securities and, in turn, DTC would grant security entitlements in such securities to relevant accounts of its participants. Proposed BSTX Rule 26135 would also provide, with certain exceptions, that securities listed on BSTX must be eligible for a direct registration program operated by a clearing agency registered under Section 17A of the Exchange Act. DTC operates the only such program today, known as the Direct Registration System, which permits an

equity security to be eligible to be a Security BSTX must have received a representation from the issuer that a CUSIP number that identifies the security is included in a file of eligible issues maintained by a securities depository that is registered with the SEC as a clearing agency. This is based on rules that are currently maintained by other equities exchanges.²⁷ In practice, BSTX Rule 26136 requires the Security to have a CUSIP number that is included in a file of eligible securities that is maintained by DTC because the Exchange believes that DTC currently is the only clearing agency registered with the SEC that provides securities depository services.²⁸

3. Book-Entry Settlement at a Securities Depository

BSTX would also maintain Proposed BSTX Rule 26137 regarding uniform book-entry settlement. The rule would require each BSTX Participant to use the facilities of a securities depository for the book-entry settlement of all transactions in depository eligible securities with another BSTX Participant or a member of a national securities exchange that is not BSTX or a member of a national securities association.²⁹ Proposed BSTX Rule 26137 is based on the depository eligibility rules of other equities exchanges and Financial Industry Regulatory Authority (“FINRA”).³⁰ Those rules were first adopted as part of a coordinated industry effort in 1995 to promote book-entry settlement

investor to hold a security as the registered owner in electronic form on the books of the issuer.

²⁷ Proposed BSTX Rule 26136 is based on current NYSE Rule 777.

²⁸ See Exchange Act Release No. 78963 (September 28, 2016), 81 FR 70744, 70748 (October 13, 2016) (footnote 46 and the accompanying text acknowledge that DTC is the only registered clearing agency that provides securities depository services for the U.S. securities markets).

²⁹ FINRA is currently the only national securities association registered with the SEC.

³⁰ See e.g., FINRA Rule 11310. Book-Entry Settlement and NYSE Rule 776. Book-Entry Settlement of Transactions.

for the vast majority of initial public offerings and “thereby reduce settlement risk” in the U.S. national market system.³¹

4. Participation in a Registered Clearing Agency That Uses a Continuous Net Settlement System

Under proposed BSTX Rule 25140, each BSTX Participant would be required to either (i) be a member of a registered clearing agency that uses a continuous net settlement (“CNS”) system, or (ii) clear transactions executed on BSTX through a member of such a registered clearing agency. The Exchange believes that today NSCC is the only registered clearing agency that uses a CNS system to clear equity securities, and proposed BSTX Rule 25140 further specifies that BSTX will maintain connectivity and access to the Universal Trade Capture system of NSCC to transmit confirmed trade details to NSCC regarding trades executed on BSTX. The proposed rule would also address the following: (i) a requirement that each Security transaction executed through BSTX must be executed on a locked-in basis for automatic clearance and settlement processing; (ii) the circumstances under which the identity of contra parties to a Security transaction that is executed through BSTX would be required to remain anonymous or may be revealed; and (iii) certain circumstances under which a Security transaction may be cleared through arrangements with a member of a foreign clearing agency. Proposed BSTX Rule 25140 is based on a substantially identical rule of the Investor’s Exchange, LLC (“IEX”), which, in turn, is consistent with the rules of other equities exchanges.³²

³¹ These coordinated depository eligibility rules resulted from proposed listing rules amendments developed by the Legal and Regulatory Subgroup of the U.S. Working Committee, Group of Thirty Clearance and Settlement Project. See Securities Exchange Act Release Nos 35774 (May 26, 1995) (SR-NASD-95-24), 60 FR 28813 (June 2, 1995); 35773 (May 26, 1995), 60 FR 28817 (June 2, 1995) (SR-NYSE-95-19).

³² See IEX Rule 11.250 (Clearance and Settlement; Anonymity), which was approved by

BSTX believes that the operation of its depository eligibility rule and its book-entry services rule would promote a framework in which Securities that would be eligible to be listed and traded on BSTX would be equity securities that have been made eligible for services by a registered clearing agency that operates as a securities depository and that are settled through the facilities of the securities depository by book-entry. The Exchange believes that because DTC currently is the only clearing agency registered with the SEC that provides securities depository services, at the commencement of BSTX's operations, Securities would be securities that have been made eligible for services by DTC, including book-entry settlement services.

5. Settlement Cycle

Proposed BSTX Rule 25100(d) would address settlement cycle considerations regarding trades in Securities. Security trades that result from orders matched against the electronic order book of BSTX would be required to clear and settle pursuant to the rules, policies and procedures of a registered clearing agency. As noted above in connection with the description of proposed BSTX Rule 25140, the Exchange expects that at the commencement of operations by BSTX it would transmit confirmed trade details to NSCC regarding Security trades that occur on BSTX and that NSCC would be the registered clearing agency that clears Security trades. The Exchange expects that such trades would be cleared through NSCC using a T+2 settlement cycle, as is the case today for all other exchanges that facilitate trading in NMS stock.

F. Compatibility with the BSTX Protocol for BSTX-Listed Securities

the Commission in 2016 as part of its approval of IEX's application for registration as a national securities exchange. Exchange Act Release No. 78101 (June 17, 2016); 81 FR 41142 (June 23, 2016); see also Cboe BZX Rule 11.14 (Clearance and Settlement; Anonymity).

to Facilitate Ancillary Recordkeeping

BSTX would maintain listing standards that would enable Securities to have an ancillary record of ownership recorded on the Ethereum blockchain using a protocol standard determined by BSTX (the “BSTX Protocol” or the “Protocol”).³³ In this way, the Ethereum blockchain would serve as a complementary recordkeeping mechanism to official records of Security ownership maintained by market participants.³⁴

1. Background on Blockchain Technology

In general, a blockchain is an open, decentralized ledger that can maintain digital records of assets and transactions that are accessible to anyone running the same protocol.³⁵ The blockchain’s central function is to encode transitions or changes to the ledger, such as the movement of an asset from one person to another person. Whenever one change to the blockchain ledger occurs to record a state transition, the entire blockchain is immutably changed to reflect the state transition. The purpose of requiring Securities to adopt the BSTX Protocol is to enable Security ownership to be recorded as a tokenized asset on the public Ethereum blockchain as an ancillary recordkeeping

³³ While BSTX initially intends to support only the trading of eligible Securities that are compatible with the Ethereum public blockchain, BSTX may support assets compatible with other blockchains that support smart contract functionality in the future.

³⁴ In the SIFMA April Letter, SIFMA stated that it believes that the proposed use of blockchain by the Exchange constitutes “novel equity market structure issues” that should be addressed by the Commission into a concept release. SIFMA April Letter at 4. The Exchange disagrees. The proposal would not introduce any novel equity market structure issues that would impact trading, clearance or settlement, and the proposed, limited use of blockchain technology is entirely separate from these processes and applicable only to BSTX Participants. The Exchange believes it is important for exchanges to have the ability make changes to their rules that incorporate new features, including uses of new technology that have no impact on the existing equities market infrastructure, without necessitating a market-wide referendum.

³⁵ A “protocol” for this purpose is a set of rules governing the format of messages that are exchanged between the participants.

mechanism and to ensure uniformity among Securities rather than permitting each Security to have its own unique specifications that might complicate updates to the blockchain and add unnecessary complexity.

2. Background on the Ethereum Blockchain

The Ethereum blockchain is an open-source, public blockchain that operates as a computing platform and operating system that supports smart contract functionality.³⁶ Smart contracts are computer protocols designed to digitally facilitate, verify, and enforce the performance of a contract. Ethereum-based smart contracts are executed on the Ethereum Virtual Machine, which can be thought of as a global computer network upon which the smart contracts run. Ether is the digital currency used to pay fees associated with operating smart contracts (known as “gas”) on the Ethereum networks. This is because there are costs involved in performing the computations necessary to execute a smart contract and to record any state transitions onto the Ethereum blockchain.³⁷ Thus, moving tokenized assets from one address to another address (i.e., a state transition) requires some amount of Ether to pay the fee (i.e., “gas”) associated with recording the movement of tokenized assets to the Ethereum blockchain. Parties to a transaction in Ethereum-based smart contracts can determine what those gas costs are depending on how quickly they would like the transaction to be reflected on the Ethereum blockchain.

3. Background on Smart Contracts

The term “smart contract” is commonly used to describe computer-coded functions in connection with the Ethereum blockchain. An Ethereum smart contract is

³⁶ See Ethereum White Paper (last updated Aug. 1, 2018) available at <https://github.com/ethereum/wiki/wiki/White-Paper>.

³⁷ See *What Is Gas*, MyEtherWallet (2018) available at <https://kb.myetherwallet.com/posts/transactions/what-is-gas/>.

neither “smart” nor a legal contract in the traditional sense. Smart contracts in this context refer to immutable³⁸ computer programs that run deterministically³⁹ in the context of the Ethereum Virtual Machine. Smart contracts operate within a very limited execution context. They can access their own state, the context of the transaction that called them, and some information about the most recent blocks (i.e., the most recent recording of transactions and other events recorded to the Ethereum blockchain).

In the context of tokens representing Securities, smart contracts generally may have three components: (i) functions, (ii) configurations; (iii) and events.⁴⁰ Functions describe the basic operations of a smart contract, such as the ability to query a particular address to determine the quantity of tokenized assets that belong to that address.⁴¹ Configurations are attributes of a smart contract that are typically set at the launch of a smart contract, such as designating the name of the smart contract (e.g., as XYZ Security). Events describe the functions of a smart contract that, when executed, result in a log or record being recorded to the Ethereum blockchain, such as the transfer of tokenized assets from one address to another. Not all functions of a smart contract result

³⁸ Smart contracts are immutable in that, once deployed, the code of a smart contract cannot change. Unlike with traditional software, the only way to modify a smart contract is to deploy a new instance.

³⁹ Deterministic in this context means that the outcome of the execution of a smart contract is the same for everyone who runs it, given the context of the transaction that initiated its execution.

⁴⁰ However, a smart contract need not necessarily have each of these components. Some smart contracts may simply be used to support the functioning of other smart contracts and may not itself result in events being recorded to the Ethereum blockchain.

⁴¹ An “address” in this context refers to a number that is associated with a particular market participant within the smart contract that can be updated to reflect changes in ownership of tokenized assets.

in a log or record being recorded to the Ethereum blockchain. Smart contracts only run if they are called by a transaction.⁴²

Smart contracts can call another smart contract, which can call another contract, and so on. Smart contracts never run “on their own” or “in the background,” but rather lie dormant until a transaction triggers them to carry out a specified operation pursuant to the protocol on which they operate. All transactions execute in their entirety or not at all, regardless of how many smart contracts they call or what those smart contracts do. Only if a transaction successfully executes in its entirety is there an “event” representing a change to the state of the blockchain with respect that transaction. If an execution of a smart contract’s operation fails due to an error, all of its effects (e.g., events) are rolled back as if the transaction never ran.

4. Background on Tokenized Assets or “Tokens”

Tokens historically referred to privately issued, special-purpose coin-like items (e.g., laundry tokens or arcade game tokens). In the context of blockchain technology, tokens generally mean blockchain-based abstractions that can be owned and that represent assets, currency, or access rights. A token on the blockchain used for ancillary recordkeeping of ownership can be thought of as a digital representation of shareholder equity in a legal entity organized under the authority of state or federal law and that meet BSTX’s listing standards. Having a token attributed to a particular address, however,

⁴² The term “transaction” in this context refer not to an actual execution or transaction occurring on BSTX or in the marketplace, but rather to an operation triggering a smart contract to carry out its specified function, which must ultimately originate from a human source.

would not convey ownership of shareholder equity in the issuer because the official records of ownership would be maintained by participants at DTC.⁴³

To create a new token (or tokenized asset) on Ethereum, including for purposes of facilitating ancillary recordkeeping of Security ownership, one must create a new smart contract. The smart contract would be configured to detail, among other things, the name of the issuer and the total supply of the tokens that correspond to the BSTX-listed Security. Smart contracts can be designed to carry out any event that one wants, but using a set standard or protocol allows for participants transacting in those smart contracts to have uniform expectations and functionality with respect to the tokens.

5. Background on Protocols

A protocol (also sometimes referred to as a “standard” or “protocol standard”) defines the functions, events, configurations, and other features of a given smart contract. The most common protocol used with Ethereum is the ERC-20 protocol, which describes the minimum functions that are necessary to be considered an ERC-20 token.⁴⁴ The ERC-20 protocol offers basic functionalities to transfer tokens, obtain account balances, and query the total supply of tokens, among other features. The BSTX Protocol is compliant with the ERC-20 protocol but adds additional requirements and functionality, as described below.

⁴³ Rather, a digital representation of a Security associated with a particular address reflects an ancillary record of Security ownership based on data provided to BSTX by BSTX Participants. The records reflected on the Ethereum blockchain regarding Securities may not be current to reflect the most recent transactions in the marketplace and may not reflect ownership by all market participants.

⁴⁴ See e.g., Jesus Najera, Understanding ERC20, Coin Central (Jan. 8, 2018), available at <https://coincentral.com/understanding-erc20/>; Alfonso de la Rocha, *Anatomy of an ERC: An Exhaustive Survey*, Medium (May 7, 2018), available at <https://medium.com/coinmonks/anatomy-of-an-erc-an-exhaustive-survey-8bc1a323b541>.

As noted above, Ether is the digital currency used to pay fees associated with operating smart contracts (known as “gas”) on the Ethereum network. Payment of gas is required to operate smart contracts because there are costs involved in performing the computations necessary to execute a smart contract and to record any state transitions onto the Ethereum blockchain.

There is an important conceptual distinction between ERC-20 tokens, including tokens used for ancillary recordkeeping purposes of Securiteis, and Ether itself. Where Ether is transferred by a transaction that has a recipient address as its destination, token transfers occur within the specific token contract state and have the token smart contract as their destination, not the recipient’s address. The token smart contract tracks balances and issues events to the Ethereum blockchain. In a token transfer,⁴⁵ no transaction is actually sent to the recipient of the token. Instead, the recipient’s address is added to a map within the token smart contract itself. In contrast, a transaction sending Ether to an address changes the state of an address. A transaction transferring a token to an address only changes the state of the token contract, not the state of the recipient address. Thus, an address is not really full of tokens; rather it is the token smart contract that has the addresses and balances associated with each address in it.

6. BSTX Protocol

BSTX Rule 26138 requires that a BSTX listed company’s Securities must comply with the Protocol to trade on BSTX. The purpose of this requirement is to ensure that all Securities are governed by the same set of specifications and controls that allow for

⁴⁵ A “transfer” in the context of the BSTX Protocol regarding a token refers to a reallocation of the digital representation of a Security on the Ethereum blockchain as an ancillary recordkeeping mechanism to reflect corresponding changes in ownership of the Security.

ownership of Securities to be recorded to the Ethereum blockchain using tokens as an ancillary recordkeeping mechanism.

The Protocol involves three smart contracts. The Asset Smart Contract is the primary smart contract that contains the balances of Securities associated with each address and carries out the functions necessary to reflect changes in ownership. There are two ancillary smart contracts that are called by the Asset Smart Contract in executing transactions. The first of these is the Registry Smart Contract (“Registry”), which contains the list of permissioned (or “whitelisted”) addresses, and the second is the Compliance Smart Contract, which includes a variable list of additional compliance related rules that the Asset Smart Contract must comply with in executing a transaction. Each of these three smart contracts are described in greater detail below:

- (1) Asset Smart Contract – The Asset Smart Contract defines and establishes the tokens (e.g., the maximum number of tokens available for a particular issuance) for purposes of the Ethereum blockchain ancillary recordkeeping function and records a list of market participant addresses and the tokens associated with each address.
- (2) Registry Smart Contract – The Registry Smart Contract (or “Registry”) defines the permissions available to different types of market participants to perform certain functions. Under the Protocol, there are five different types of market participants connected with the Registry, each with different abilities and permissions (as detailed below):⁴⁶ (1) Contract Owner, (2) Custodian, (3)

⁴⁶ There are additional roles that are not technically part of the Registry and are instead specific to certain smart contracts. For example, an “Issuer” is an Asset Smart Contract-specific role. Also, an “Administrator” is a Compliance Smart Contract-specific role that allows such a user to, for example, freeze the transfer of tokenized assets for purposes of the ancillary recordkeeping function under certain circumstances and modify or add

Broker Dealer, (4) Custodial-Account, and (5) Investor. The Registry also contains the list of whitelisted addresses to which tokens may be sent and additional information associated with each address (e.g., whether an address has been suspended).

- (3) Compliance Smart Contract – The Compliance Smart Contract is the set of rules held in a separate smart contract that a token can be configured to abide by to ensure compliance with applicable laws and regulations (e.g., by restricting a movement of Securities to an address that has not been added to the Registry for purposes of the Ethereum blockchain ancillary recordkeeping mechanism). The Compliance Smart Contract can be modified to add or remove applicable rules in light of changes to applicable regulatory requirements.

Each of these three smart contracts work together to facilitate the ancillary recordkeeping mechanism for Securities using the Ethereum blockchain. The details of the specific functions, configurations, and events under the Protocol are set forth in greater detail in Exhibit 3N.

The Exchange selected the Ethereum blockchain among other possible blockchains that support smart contracts as the blockchain upon which Securities would be built in accordance with the BSTX Protocol for ancillary recordkeeping purposes because of, among other reasons, its widespread use, the public's familiarity with Ethereum, and its smart contract functionality. Ethereum has maintained the second largest market capitalization behind Bitcoin among blockchain-based digital assets for at

compliance rules to govern a token.

least two years and is widely recognized by the public.⁴⁷ Over 200,000 different ERC-20 tokens have been built on the Ethereum blockchain, demonstrating its wide-spread use and functionality. The Exchange believes that the Ethereum blockchain is able to support all of the necessary functions of the BSTX Protocol to carry out the Security ancillary recordkeeping function. The Exchange also believes that using a widely-known smart contract platform as opposed to a lesser-known smart contract platform may help issuers become more comfortable with the ancillary recordkeeping process as well as allow them to more-readily locate service providers as necessary to assist them in building their Securities in accordance with the BSTX Protocol. As noted, the Exchange may consider the use of other blockchains supporting smart contract functionality in the future, subject to applicable rule filing requirements with the Commission pursuant to Section 19 of the Exchange Act.⁴⁸

G. Obtaining a Whitelisted Wallet Address⁴⁹

⁴⁷ The Commission has also publicly recognized Ethereum and its native currency Ether. See William Hinman, Director, Division of Corporation Finance, Digital Asset Transactions: When Howey Met Gary (Plastic) (June 14, 2018) available at <https://www.sec.gov/news/speech/speech-hinman-061418>.

⁴⁸ 15 U.S.C. 78s.

⁴⁹ In the SIFMA April Comment Letter, SIFMA asked for further detail regarding how a whitelisted wallet address is obtained, how permissioning is determined for the whitelisted wallet and who controls it. SIFMA April Comment Letter at 5. The Exchange notes that BSTX Participants would obtain a whitelisted wallet address by contacting the Exchange as detailed in this Part II.G. As the only source for obtaining wallet addresses, the Exchange would be responsible for permissioning wallet addresses as well. Each wallet address is an alphanumeric string of characters assigned to a particular BSTX Participant for the purposes of ancillary recordkeeping. A BSTX Participant would not have the ability to move tokenized assets to or from its wallet address or otherwise “control” the wallet address. The process of reallocating tokenized asset balances among different wallet address is a function performed by the Exchange in coordination with a Wallet Manager(s). Thus, the proposed use of blockchain technology is almost entirely passive for BSTX Participants, but for initially obtaining a wallet address and the end-of-day reporting of balances. The Exchange would be responsible for maintaining wallet addresses and whitelisting for the entire life cycle of a Security and

Pursuant to proposed Rule 17020(a), a BSTX Participant must, either directly or through its carrying firm, establish a wallet address to which its end-of-day Security balances may be recorded by contacting BSTX.⁵⁰ A BSTX Participant that is a carrying broker-dealer for other BSTX Participants would be assigned the wallet address with the status of a Custodian, which would allow that BSTX Participant to request wallet addresses on behalf of other BSTX Participants (for which it serves as the carrying broker-dealer) as either a Custodial Account or Broker-Dealer wallet address, as described above. A BSTX Participant that is not a carrying broker-dealer could request a Broker-Dealer wallet address, a Custodial Account wallet address in coordination with its carrying firm, and an Investor wallet address on behalf of a customer that would like its ownership of Securities represented by a tokenized asset to be reflected at its own address for purposes of the Ethereum blockchain as an ancillary recordkeeping mechanism.⁵¹

Contact information for BSTX for the purpose of establishing a wallet address will be published on the BSTX website. Proposed BSTX Rule 17020(a) requires a BSTX Participant to establish a wallet address by contacting BSTX directly or through its carrying firm acting on its behalf. BSTX expects that this process (i.e., contacting the Exchange and establishing a wallet address) would occur contemporaneously with the application by a market participant to become a BSTX Participant. However, under proposed BSTX Rule 17020(a), a BSTX Participant would have up until five business

the associated tokenized asset and life cycle of participants' accounts. An unlimited number of addresses may be established for a Security and can be removed as necessary.

⁵⁰ Multiple Security issuances can be attributed to a BSTX Participant's wallet address. A BSTX Participant would not need a separate wallet address for each Security issuance that it trades.

⁵¹ A BSTX Participant that is a carrying broker-dealer, and which therefore has a Custodial Account address, could also request Investor wallet addresses on behalf of customers.

days from the date that the Exchange approves the application of the BSTX Participant to satisfy the obligation to obtain a wallet address. In the event that a BSTX Participant has not obtained a wallet address prior to the Exchange's approval of its application, the BSTX Participant would become subject to the end-of-day Security balance reporting requirements in proposed BSTX Rules 17020(b) and (c). However, because the BSTX Participant would not yet have a wallet address to which the position balance information could be attributed by a Wallet Manager, the tokenized assets associated with any Security position balances of such BSTX Participant would be attributed to the omnibus wallet address (as described below) until the time the BSTX Participant obtains a wallet address. For the avoidance of doubt, having end-of-day position balance information for a tokenized asset related to a Security attributed to a particular wallet address would not convey ownership of shareholder equity in the issuer to the person or entity with whom such wallet address is associated. BSTX-listed Securities will be cleared and settled in the same manner as other NMS stocks through the facilities of a registered clearing agency, and the official records of ownership would be maintained as discussed above in Part II.E. Therefore, any lack of a wallet address would not affect the official records of ownership of the BSTX-listed Security.

Once a BSTX Participant has been assigned a particular wallet address, the only further obligation of that BSTX Participant is to report its end-of-day Security position balances to BSTX, as described below. Non-BSTX Participants that may trade Securities are not subject to the requirement that they obtain a wallet address prior to trading a Security or to the end-of-day Security balance position reporting requirements. The Exchange will not accept voluntary reports of end-of-day Security balances from non-BSTX Participants, but may consider doing so in the future, subject to any applicable or

necessary rule filing requirements with the Commission. The Exchange believes that the proposed requirement in Rule 17020(a) to obtain a wallet address is consistent with the Exchange Act and Section 6(b)(5)⁵² in particular because it would help foster cooperation and coordination with persons engaged in regulating and facilitating transactions in Securities by setting forth a process through which BSTX Participants may obtain a wallet address to which their end-of-day Security balances may be recorded to the Ethereum blockchain as an ancillary recordkeeping mechanism. The Exchange believes that the proposed requirement is similar to obtaining a market participant identifier (“MPID”) in that it establishes an identifier that can be attributed to a particular BSTX Participant for reporting purposes. The proposed requirement to obtain a wallet address is the same for all BSTX Participants, and is therefore not unfairly discriminatory, and the Exchange does not propose to charge a fee for obtaining a wallet address.

H. Wallet Manager⁵³

As described further below, following the end of a trading day, BSTX Participants (or their carrying firms) will be required to send Security position balance information to BSTX. Based on the information that BSTX receives, BSTX will deliver that information to one or more Wallet Managers who will be responsible for updates to the Security position balances on the Ethereum blockchain by allocating balances among the wallet addresses of BSTX Participants and the omnibus wallet address.

⁵² 15 U.S.C. 78f(b)(5).

⁵³ A “Wallet Manager” is defined as a party approved by BSTX to operate software compatible with the BSTX Protocol. See proposed Rule 17000(a)(31). A Wallet Manager would be a third-party service provider for the Exchange that will help facilitate establishing wallet addresses for BSTX Participants and facilitate updates to the Ethereum blockchain as an ancillary recordkeeping mechanism regarding changes in ownership resulting from trading. Approved Wallet Managers will be listed on the Exchange’s website.

The Exchange would enter into a contractual arrangement with a Wallet Manager as a service provider to the Exchange performing the function described above. The Exchange does not believe that performing the ancillary recordkeeping process would make a Wallet Manager a facility of the Exchange because the Wallet Manager's functions do not meet the definition of "facility" under the Exchange Act. Section 3(a)(2) of the Exchange Act provides that "the term 'facility' when used with respect to an exchange includes its premises, tangible or intangible property whether on the premises or not, any right to the use of such premises or property or any service thereof for the purpose of effecting or reporting a transaction on an exchange (including, among other things, any system of communication to or from the exchange, by ticker or otherwise, maintained by or with the consent of the exchange), and any right of the exchange to the use of any property or service."⁵⁴ A Wallet Manager is neither property of the Exchange nor does a Wallet Manager provide services for effecting or reporting a transaction taking place on the Exchange. Rather, a Wallet Manager performs the function of updating end-of-day Security position balance information provided by the Exchange as part of an ancillary recordkeeping mechanism. The Ethereum blockchain would not reflect any particular transaction(s) that occurred in the marketplace but would instead record allocations of end-of-day Security position balances – which may result from a variety of activities in the marketplace for the relevant Securities such as trading activity, lending activity, and free-of-payment transfers between DTC accounts. The definition of "facility" in Section 3(a) of the Exchange Act is instead focused on "effecting or reporting a transaction" as part of the operations of an exchange, namely the bringing together of orders for securities of multiple buyers and sellers using non-

⁵⁴ 15 U.S.C. 78c(a)(2).

discretionary methods under which such orders interact with each other, and the buyers and sellers entering such orders agree to the terms of a trade.⁵⁵ Thus, systems of communication to the Exchange used to effect trades or to receive market data would likely be considered facilities of the Exchange, but an end-of-day ancillary recordkeeping reporting process that does not provide any real or near-time information regarding transactions in the market should not.⁵⁶ The Commission “long has recognized that there must be some practical limitations on entities encompassed within the broad definition of the term ‘exchange.’”⁵⁷ The ancillary recordkeeping process would have no impact on, or perform a function related to, the bringing together of buyers and sellers’ orders, clearance, settlement, market data or routing functions of the exchange (i.e., all of these functions can continue upon any suspension of the ancillary recordkeeping process),⁵⁸ and therefore cannot reasonably be considered a “facility” of the exchange. The Exchange intends to enter into a contractual arrangement with at least one Wallet Manager.⁵⁹ The Exchange intends to evaluate each potential Wallet Manager’s capability

⁵⁵ 17 CFR 240.3b-16.

⁵⁶ The Commission has not defined the term “facility.” See Exchange Act Release No. 26708 (Apr. 11, 1989), 54 FR 15429 (Apr. 18, 1989) (noting that the term “facility” has not changed since it was originally adopted and that no hearing testimony referred to it because “the Committee felt that the definition was ‘self-explanatory’”).

⁵⁷ Id.

⁵⁸ The Exchange notes that suspension of the ancillary recordkeeping process would not impact trading in the Security. Trading and the clearance and settlement of Securities can operate entirely independently from the ancillary recordkeeping process.

⁵⁹ The Exchange expects that it will initially operate with one Wallet Manager, but there is nothing to preclude the use of another Wallet Manager provided the prospective Wallet Manager is capable of operating software compatible with the BSTX Protocol. The Exchange expects that tZERO would operate as the initial Wallet Manager. BOX Exchange LLC, the self-regulatory organization of which BSTX is a facility, neither controls, directly or indirectly, nor is under common control with tZERO. The voting class of equity of the BSTX facility is 50% owned by tZERO and BOX Digital Markets, which is 100% owned by BOX Holdings Group LLC. BOX Exchange LLC does not

to receive information from BSTX related to BSTX Participants' end-of-day Security balances along with its ability to update the Ethereum blockchain upon receipt of such information. Further, the Exchange intends to perform due diligence on potential Wallet Managers, including but not limited to checking the list produced by the U.S. Treasury Department of persons with whom U.S. citizens are prohibited from doing business ("OFAC List"). Finally, the Exchange intends to require each Wallet Manager in its service agreement with the Wallet Manager to agree to comply with all applicable securities laws.⁶⁰ The Exchange believes that using the criteria listed above for evaluating potential Wallet Managers may prevent fraudulent and manipulative acts and practices, consistent with Section 6(b)(5) of the Exchange Act.⁶¹ The Exchange believes that requiring every Wallet Manager to act in a manner consistent with applicable securities laws and not be on the OFAC List would help ensure that persons reputed to have committed illegal acts and who violate securities laws, including any such laws meant to prevent fraud and market manipulation, will not operate as Wallet Managers.

I. Coordination Between BSTX, Registered Clearing Agencies, and

have direct or indirect ownership interest in BOX Holdings LLC or its subsidiaries. As a result, because BOX Exchange LLC does not exercise control over tZERO or its affiliates, tZERO would not constitute "property" of the Exchange for purposes of determining whether it is a facility. In any case, it is the functions of the particular entity that should matter for purposes of determining whether an entity or function is a facility of an exchange rather than whether an entity is affiliated or not with an exchange. See e.g., Exchange Act Release No. 54538 (Sept. 28, 2006), 71 FR 59184 (Oct. 6, 2006) (order approving PHLX's new equity trading system and operation of optional outbound router as a facility of PHLX, where PHLX had no ownership interest in the third party operator).

⁶⁰ Pursuant to the Exchange's agreement with the Wallet Manager(s), the Wallet Manager(s) would be required to record balances to the Ethereum blockchain following each trading day. As a result, tokenized assets representing Security balances of BSTX Participants would be updated each trading day, but not on non-trading days (e.g., holidays).

⁶¹ 15 U.S.C. 78f(b)(5).

Wallet Managers

Upon the occurrence of a transaction on BSTX due to the completion of its order matching process,⁶² BSTX would generate an execution report, and it would deliver drop copies to its own front-end systems to update the BSTX Participants and to NSCC.⁶³ Where a BSTX transaction creates a settlement obligation to transfer registered ownership of a Security, clearance and settlement would be performed in accordance with the rules, policies and procedures of a registered clearing agency as described in Part II.E. above. The Wallet Manager would be provided with end-of-day position balance information of BSTX Participants necessary to update the Ethereum blockchain through the end of day reporting mechanism discussed below.

J. Reporting End-of-Day Security Balances to Facilitate Ancillary Recordkeeping

To update the Ethereum blockchain to reflect ownership of Securities as an ancillary recordkeeping mechanism, the Exchange proposes to require that each BSTX Participant, either directly or through its carrying firm, report each business day to BSTX certain end-of-day Security balances in a manner and form acceptable to BSTX.⁶⁴ A BSTX Participant that is a participant at DTC would be required to report to BSTX the total number of Securities for each class of Security that is credited to each DTC account of the BSTX Participant.⁶⁵ For a BSTX Participant that is not a DTC participant, the

⁶² Order matching would occur through a price-time priority model, as discussed in greater detail below.

⁶³ The last sale transaction data would also be publicly disseminated pursuant to the transaction reporting plan, which would occur before delivery of drop copies to these parties.

⁶⁴ See Proposed Rule 17020(b).

⁶⁵ See Proposed Rule 17020(b)(1). As described above in Part II.E., BSTX would

BSTX Participant would be required to report the total number of Securities for each class of Security that are credited to the BSTX Participant by its carrying firm.⁶⁶

Pursuant to proposed Rule 17020(d), upon receipt of the end-of-day Security balances from BSTX Participants, the Exchange would provide such information to the Wallet Manager(s) to update the Ethereum blockchain as an ancillary recordkeeping mechanism to reflect updates in Security balances.⁶⁷ Proposed Rule 17020(d) would also provide that unreported Security balances will be determined and allocated to an omnibus wallet address for each Security as described further below. The Exchange would determine the

maintain rules that would promote a structure in which Securities would be held in “street name” with DTC.

⁶⁶ See Proposed Rule 17020(b)(2).

⁶⁷ Notably, because the Ethereum blockchain would be updated each day using the end-of-day Security balance reports, and is, in any case, only functioning at this time as an ancillary recordkeeping function, concerns regarding a loss of private keys or disruption to the Ethereum blockchain are fully mitigated. For example, assume a BSTX Participant owns 100 Securities of XYZ at the end of Day 1 and, as a result of trading on Day 2, ends Day 2 with a balance of 200 Securities of XYZ. If the BSTX Participant’s wallet address were somehow compromised during the trading day on Day 2 and the 100 tokenized assets representing Securities were moved to another address (which could only be moved to another whitelisted address), this would not substantively impact the functioning of the blockchain as an ancillary recordkeeping tool. At the end of trading on Day 2, the BSTX Participant would report its ownership of 200 Securities of XYZ to BSTX, which would then update the Ethereum blockchain to reflect this end of day balance. The Wallet Manager makes updates to the balances associated with wallet addresses by reallocating tokens (which represent Securities) between wallet addresses, including the omnibus wallet address, so that after each trading day the wallet address account balances reflect the new Security balances reported to BSTX pursuant to Rule 17020. These reallocations based on end-of-day Security balance reports from BSTX Participants are not designed to reflect actual transactions that occurred during the trading day. Rather, the reallocation process focuses on achieving the ends of having the correct number of tokens (which represent Securities) attributed to each wallet address based on the end-of-day Security balance reports. For example, if there were only two transactions in the entire marketplace during the trading day—a sale of 100 Securities from BSTX Participant A to BSTX Participant B and a subsequent sale of 100 Securities from BSTX Participant B to BSTX Participant C—the end of day reallocation process would result in a reallocation of 100 tokens (which represent Securities) from BSTX Participant A to BSTX Participant C, and would consequently not reflect any actual transactions.

number of tokens (which represent Securities) to be allocated to the omnibus wallet address by the Wallet Manager(s) by subtracting the sum of the Security position balances reported for a particular Security by BSTX Participants from the total outstanding number of that particular Security. BSTX expects that each Security would have a dedicated omnibus wallet address that the Wallet Manager(s) would use to allocate the resulting balance to that address.

The Exchange proposes that these end-of-day Security balance reports would be required each business day when DTC is also open for business, but after such time as DTC has completed its end-of-day settlement process.⁶⁸ The Exchange believes that once DTC has completed its end-of-day settlement process, DTC participants would be able to determine the number of Securities credited to their DTC account(s) and to other market participants that settle through that DTC participant. Thereafter, BSTX Participants, or their carrying firms, would be able to obtain their Security balance information and report it to BSTX by the end of the day. The Exchange understands that DTC typically makes end-of-day security position reports available to DTC participants at approximately 7:30 p.m. Eastern time. Therefore, the Exchange will notify BSTX Participants via Regulatory Circular of the time after 7:30 p.m. Eastern time by which end-of-day security position balance reports will be required to be provided to BSTX pursuant to BSTX Rule 17020(c).⁶⁹ The Exchange will also notify BSTX Participants via

⁶⁸ See Proposed Rule 17020(c).

⁶⁹ The Exchange notes that other exchanges use a similar formulation whereby the exact timing details for delivery of information to an exchange are set forth in a regulatory circular. See e.g., EDGX Rule 4.2.02 and BZX Rule 4.2.02 (setting forth a “Regulatory Data Submission Requirement” providing that BZX/EDGX members “shall submit to the Exchange such Exchange-related order, market and transaction data as the Exchange by Regulatory Circular may specify, in such form and on such schedule as the Exchange may require.”).

Regulatory Circular of the time by which it will provide Security position balance information to the Wallet Manager(s) so that the Wallet Manager(s) will have sufficient time to carry out their contractual obligation to update the Ethereum blockchain as an ancillary recordkeeping mechanism prior to the commencement of trading on BSTX on the next trading day.

The Exchange acknowledges that, in certain circumstances, a BSTX Participant subject to the requirements of proposed Rule 17020 could fail to report end-of-day Security balances to BSTX in a timely manner, inaccurately report such balances, or fail to obtain a wallet address prior to acquiring a position in a Security. Such failures would impair the ability of the Exchange to report complete end-of-day Security balance information regarding a Security to the Wallet Manager(s) who will be responsible for using that information, in turn, to update the Security balance information that is reflected on the Ethereum blockchain. The Exchange notes that BSTX Participants would be required to comply with applicable Exchange Rules, including the requirement to report their end-of-day Security balances, and may be subject to disciplinary action for failing to comply with applicable rules pursuant to proposed Rule Series 24000 (Discipline and Summary Suspension).

As noted above, to account for instances in which a BSTX Participant fails to report or to accurately report its end-of-day Security balance pursuant to proposed Rule 17020, as well as to account for the positions of Security holders who are not BSTX Participants and therefore not subject to the end-of-day Security balance reporting requirement, the Exchange proposes to use an omnibus wallet address to account for such Securities in the ancillary records that would be published on the Ethereum blockchain. Specifically, the Exchange would know the total number of Securities outstanding and

would provide information to the Wallet Manager(s) to allow the Wallet Manager(s) to attribute the unreported Security balance (which shall be represented by a token balance on the blockchain) for a given Security to an omnibus wallet address for each Security. For example, assume that on Day 1 there are 1,000 Securities for company XYZ outstanding, 800 are held at DTC in accounts for the benefit of eight BSTX Participants and 200 are otherwise held at DTC. Assume further that BSTX receives timely and accurate end-of-day XYZ Security balance reports from all eight BSTX Participants in respect of 800 XYZ Securities. At the end of Day 1 as part of the end-of-day reporting process, the Exchange would provide information to the Wallet Manager(s) allowing the Wallet Manager(s) to allocate the 800 XYZ tokens (which represent Securities) among the BSTX Participants consistent with their end-of-day Security balance reports and to allocate the remaining balance of 200 to the omnibus wallet address. In this same example, assume a BSTX Participant who holds 100 XYZ Securities failed to report its XYZ Security balance to BSTX. In this case, the Exchange would provide information to the Wallet Manager(s) allowing the Wallet Manager(s) to allocate 300 XYZ tokens (which represent Securities) to the omnibus wallet address for XYZ Security. The omnibus wallet address in this example would thus reflect the sum of XYZ Securities held by non-BSTX Participants who are not subject to the end-of-day Security balance reporting requirement as well as any missing end-of-day Security balance reports among BSTX Participants.⁷⁰ In all cases, the balances displayed on the Ethereum blockchain

⁷⁰ The omnibus wallet address for each Security could also have greater or fewer tokens (which represent Securities) as a result of a misreport by a BSTX Participant. In the case of an under-report by a BSTX Participant (e.g., owns 100 of XYZ Securities, but reports only 90), the omnibus address for XYZ would have an additional 10 tokens (which represent XYZ Securities) allocated to it. In the case of an over-report (e.g., owns 100 of XYZ Securities, but reports 110), the omnibus address for XYZ may have 10 additional tokens (which represent XYZ Securities) allocated to it.

would reflect end-of-day Security balances reported to BSTX pursuant to Rule 17020 and an omnibus wallet address for any type of Security for which the sum of the reported positions is less than the number of Securities known by the Exchange to be issued and outstanding. In this way, it is possible that the end-of-day balances published on the Ethereum blockchain may not reflect the precise distribution of a Security among holders of the Security, even among BSTX Participants.⁷¹ The Ethereum blockchain could also reflect information that is not accurate to the extent that BSTX Participants inaccurately report end-of-day Security balances to BSTX. There could conceivably be situations where the number of reported Securities exceeds the number of outstanding Securities of a particular issuance (e.g., if Security XYZ were held entirely by BSTX Participants and one BSTX Participant over-reports). There could also be situations in which the Exchange is unable to communicate end-of-day Security balances to the Wallet Manager(s) or the Wallet Manager(s) is/are unable to update the blockchain. Additionally, it is also possible that there could be a disruption to the website through which token balances may be observed (i.e., Etherscan.io, discussed below), to the Ethereum blockchain itself that prevents the updating of end-of-day balances as an ancillary recordkeeping mechanism, or potentially to the architecture or functioning of a particular Security.⁷²

⁷¹ The Exchange notes, however, that even in such a case, the total number of shares of the Security outstanding should still be reflected on the blockchain due to unreported balances being attributed to the omnibus wallet address. It is also possible the omnibus wallet address could display the entire outstanding balance of a Security to the extent only non-BSTX Participants held the entire outstanding balance of a particular Security.

⁷² This could potentially occur if, for example, the Ethereum Virtual Machine were to suffer a “51% Attack” whereby an individual or group acting together gain 51% or more of the computing power, essentially giving the attackers control over the Ethereum blockchain and the ability to disrupt or modify transactions on the Ethereum blockchain. The Exchange believes that this possibility is remote, but the Exchange will nonetheless

To address the potential for inaccurate reporting by BSTX Participants, the Exchange is proposing Rule 17020(e), which provides that a BSTX Participant shall promptly send a corrected end-of-day Security balance report to the Exchange upon the Participant's discovery that it submitted an inaccurate end-of-day report that has not already been corrected or superseded. Rule 17020(e) would also provide that if the Exchange has reason to believe that the Security balances reported by one or more BSTX Participants may be inaccurate, the Exchange may request additional information regarding the applicable reports and balances from any BSTX Participant. Under the proposed rule, a BSTX Participant shall promptly respond to any additional information requests that the Exchange may make regarding its end-of-day Security balance reports.⁷³ The Exchange believes that it is important for the protection of investors and in the public interest, consistent with Section 6(b)(5) of the Exchange Act, to establish mechanisms to help ensure the accuracy of end-of-day Security balances by requiring BSTX Participants to promptly correct known errors in their reports and to provide the Exchange with express authority to seek additional information from BSTX Participants where the Exchange has reason to believe to that one more reports may be inaccurate.⁷⁴ Similar

monitor for such possibilities either directly or by using a vendor, which may include Wallet Managers that agree to perform this function and promptly alert the Exchange to any compromise of the Ethereum blockchain or other type of disruption that might impact the end-of-day Security balance reporting process as an ancillary recordkeeping mechanism (e.g., inability to access Etherscan.io).

⁷³ This additional information may include asking the BSTX Participant to confirm its Security balances, providing a copy of the information the BSTX Participant used to provide its end-of-day Security balance position report, or other books and records of the BSTX Participant relating to its transactions in one more Securities.

⁷⁴ 15 U.S.C. 78f(b)(5). As previously noted, failure to comply with applicable Exchange Rules, including the end-of-day Security balance reporting process could result in disciplinary action against a BSTX Participant. The Exchange would consider a BSTX's Participant's efforts to comply with Rule 17020(e) by promptly submitting a corrected report or responding to additional information requests from the Exchange in determining

mechanisms to promote accurate reporting exist for a wide variety of different market participant obligations today, such as the duty of the broker-dealer operator of an NMS stock alternative trading system to promptly correct material errors or omissions discovered in their Form ATS-N and the duty to correct trade reports to FINRA.⁷⁵ The Exchange believes that proposed Rule 17020(e) sets forth reasonable processes to help ensure the Security position balances published as token balances on the blockchain are accurate, and that ensuring the accuracy of this information will better facilitate all market participants' ability to evaluate the potential uses of blockchain technology in securities transactions.

In addition to these controls and mechanisms for ensuring the accuracy of reported records, the Exchange may need to implement further measures in situations where the ability to update blockchain records may be affected by exogenous factors, as discussed above. To account for these types of situations, proposed Rule 17020(f) provides that the Exchange may suspend the requirements in paragraphs 17020(a) through (d) regarding any BSTX Participant and/or regarding one or more Securities, as applicable, in its discretion and in any such case the Exchange will provide prompt notice thereof and the reason(s) therefore to BSTX Participants.⁷⁶ The Exchange will notify the Commission within two hours of its determination to make any such suspension and the

whether to bring, or the appropriate consequences of, a disciplinary action.

⁷⁵ See 17 CFR 242.304(a)(2)(i)(C) (requiring correcting amendments to Form ATS and ATS-N “promptly” after discovery of incorrect information previously filed); FINRA, Trade Reporting FAQ, Section 311 (Reporting Cancellations, Corrections and Reversals), <https://www.finra.org/filing-reporting/market-transparency-reporting/trade-reporting-faq>.

⁷⁶ The particular details included in such notice to BSTX Participants will vary based on the facts and circumstances giving rise to the suspension, but the Exchange expects that such notice would describe: (i) the impacted Security (or Securities); (ii) the nature of the disruption; (iii) the anticipated length of the suspension; and (iv) any changes to BSTX Participants' obligations to report end-of-day Security balances.

suspension may continue in effect for no more than thirty calendar days from the date the determination is made unless the Exchange has submitted a proposed rule change with the Commission seeking approval of such suspension, in which case the suspension may continue in effect until the Commission approves or disapproves the proposed rule change.⁷⁷

In all such cases involving these types of disruptions relating to the end-of-day Security balance reporting process, there would be no impact on the ability to trade, clear, or settle Security transactions in the ordinary course.⁷⁸ This is because the end-of-day Security balance reporting is solely as an ancillary record-keeping mechanism and because the actual trading, clearance, and settlement of Securities would occur in the same manner as other NMS stock.

The Exchange would set forth via Regulatory Circular the precise manner in which Securities should be reported. In general, the report would simply require certain identifying information regarding the BSTX Participant (e.g., name, carrying firm, MPID) and a list of the end-of-day Security position balances of the BSTX Participant.⁷⁹

⁷⁷ See proposed Rule 17020(f). The Exchange believes that proposed Rule 17020(f) may foster coordination with persons processing information with respect to securities and is not designed to permit unfair discrimination because such provision will allow the Exchange to suspend certain Rule requirements in events where there may be difficulty coordinating or sharing pertinent information with BSTX Participants and/or Wallet Manager(s). Further, Rule 17020(f) is designed to apply to all market participants equally and to provide notice to affected market participants and regulators of BSTX, in order to allow such individuals and entities to coordinate with the Exchange and react to potential issues as deemed necessary.

⁷⁸ The Exchange acknowledges, of course, that certain issues such as a widespread power outage that prevents the Exchange from being able to transmit information to the Wallet Manager(s) could also result in a disruption to trading on BSTX and potentially the declaration of a halt in trading of the Security by the Exchange.

⁷⁹ Pursuant to the BSTX Listing Rules, BSTX will allow listing of three types of Securities: equity Securities, preferred Securities, and warrant Securities. These three types of Securities will have similar end-of-day reporting processes; each BSTX

As a result of this process, the Ethereum blockchain would in the ordinary course reflect for each Security the end-of-day balance associated with each BSTX Participant's wallet address. Wallet addresses are essentially just a string of numbers and characters, and it would not be made public which BSTX Participant is associated with which wallet address or which address is the omnibus wallet address.⁸⁰ An observer of balances associated with a particular address would not be able to determine whether a particular address represented, for example, a carrying firm reporting end-of-day balances on behalf of multiple BSTX Participants, an individual BSTX Participant, or the omnibus wallet address. Neither could an observer determine which underlying customer(s) of a BSTX Participant associated with a particular wallet address held the Securities or whether the BSTX Participant owned the Securities proprietarily. In addition, an observer of the token balances related to a particular Security would not be able to tell whether a particular wallet address was long or short the shares.⁸¹ For these reasons, the Exchange believes that the balance information that would be publicly available on the Ethereum

Participant will be required to provide end-of-day Security position balance information to BSTX related to each Security issuance based on such BSTX Participant's DTC account balance. The BSTX Listing Rules also discuss paired Securities, which are Securities that may be transferred and traded only in combination with one another as a single economic unit. For paired Securities, BSTX expects that BSTX Participants, when submitting position balance information to BSTX, will specify the end-of-day balances for each constituent Security that comprises a paired Security.

⁸⁰ The Wallet Manager(s) would have information regarding Security balance information associated with a particular BSTX Participant. However, as noted in Part II.H, a condition of serving as a Wallet Manager would include, among other things, a representation to comply with the federal securities laws, including trading on the basis of material non-public information.

⁸¹ This is because the end-of-day ancillary recordkeeping process captures only end-of-day balances as reported by DTC to BSTX Participants or their carrying firms. Thus, if a BSTX Participant borrowed Securities and the borrowed Securities were moved to its DTC account (or the DTC account of its carrying firm on its behalf), the borrowed Securities would appear to be a long position in the Security, when in fact the BSTX Participant was taking a short position.

blockchain would be sufficiently anonymous to address privacy concerns related to such information. Balance information for the Ethereum blockchain is available at Etherscan.io (“Etherscan”). From Etherscan.io, an observer would be able to search for the name of the particular Security and see the holders of tokens representing the Securities and the associated quantity, as well as other information (e.g., transfers made as a result of the Wallet Manager(s) reallocation process).⁸²

The Exchange does not believe that the ancillary records of Security balance information published on the Ethereum blockchain would be likely to cause investor confusion because there is no similar source of information with which an observer of the blockchain data could be confused. That is, the resting position balances related to Security ownership of BSTX Participants and other market participants are not available through another medium (e.g., such as by DTC making such information available) in a manner that could lead an investor to be confused as to whether the Ethereum blockchain or some other source of Security balance information is accurate. Moreover, Security position balance information as recorded on the Ethereum blockchain in token form will not reflect legal ownership of Securities and the identities of BSTX Participants corresponding to each wallet address (as well as the omnibus wallet address) would not be made public. The Exchange believes that the proposed end-of-day Security balance reporting requirement is consistent with the Exchange Act, and Section 6(b)(5)⁸³ in particular, because it is designed to foster cooperation and coordination with persons engaged in regulating, clearing, settling, and processing information with respect to transactions in Securities and would not unfairly discriminate among BSTX Participants,

⁸² This process can be done presently with ERC-20 tokens or other digital assets built on Ethereum.

⁸³ 15 U.S.C. 78f(b)(5).

all of whom are subject to the same reporting requirement. The purpose of the reporting obligation is to allow the Exchange to receive information from BSTX Participants regarding end-of-day balances in Securities so that the Exchange can provide that information to the Wallet Manager(s) and the Wallet Manager(s) can, in turn, use the information to update the Ethereum blockchain as an ancillary recordkeeping mechanism reflecting changes in Security ownership (i.e., the recording of end-of-day balance information). Without this information, all of the outstanding balances regarding a Security would be attributed by the Wallet Manager(s) in tokenized form to the omnibus wallet address rather than allocated to multiple wallet addresses belonging to corresponding BSTX Participants. Accordingly, to the extent that BSTX Participants have end-of-day balances in Securities, the allocation of the appropriate balances to their respective wallet addresses by the Wallet Manager(s) will reflect a relatively more robust use of the functionality of the smart contracts than if the entire outstanding balance of a Security is attributed in tokenized form to the omnibus wallet address. Promoting this more robust use of the functionality of the smart contracts and their ability to allocate and re-allocate Security balances in tokenized form across multiple wallet addresses will enhance the ability of market participants, including the Exchange, to observe and evaluate the capabilities of blockchain technology as an ancillary recordkeeping mechanism. The Exchange notes that under the existing authority of other equity exchanges, the exchange is able to request that exchange members/participants furnish to the exchange records pertaining to transactions executed on or through the exchange in a time and manner required by such exchange.⁸⁴ Accordingly, BSTX believes that the

⁸⁴ See e.g., BOX Rule 10000(a) and (b), Cboe BZX Rule 4.2, and IEX Rule 4.540. Broker-dealers are also subject to daily or real-time reporting obligations in a variety of other contexts. For example, pursuant to the FINRA Rule 7000 Series. See e.g., FINRA

proposed end-of-day Security balance reporting requirement would be consistent with authority that the Commission has already approved regarding furnishment of records by members of exchanges.

The Exchange recognizes that, while the ancillary recordkeeping mechanism will provide additional transparency into Security holdings, there are limitations in what the Ethereum blockchain will reflect with regard to end-of-day Security balances as an ancillary recordkeeping mechanism given that all non-BSTX Participants' balances will be aggregated and reflected in an omnibus wallet address for each Security.⁸⁵ In addition, the end-of-day token balances (which represent Securities) may be inaccurate or unavailable,⁸⁶ such as when a BSTX Participant misreports its balance or under

Rule 7230A(b) (noting that “Participants shall transmit trade reports to the System for transactions in Reportable Securities as soon as practicable but no later than 10 seconds after execution . . .”). Trades in municipal securities are generally required within 15 minutes of the time of trade. See MSRB Rule G-14(a)(ii).

⁸⁵ The Exchange does not believe that imposing the end-of-day Security reporting requirement on BSTX Participants is unfairly discriminatory or burdens competition because all market participants are free to choose whether to become a BSTX Participant or not and there is no limitation imposed by the Exchange on the ability to trade Securities on other markets. Market participants that voluntarily choose to become BSTX Participants must comply with the rules of the Exchange, but they remain free to become a member of another exchange that supports trading of Securities or to purchase the Securities OTC. The Exchange further notes that it believes the end-of-day Security balance reporting process would not impose a substantial burden on BSTX Participants, because it would not require significant resources or time.

⁸⁶ The Exchange notes that, pursuant to the end-of-day reporting process as provided in Rule 17020 and as explained in further detail above, in all cases the Exchange would provide Security balance information to the Wallet Manager based on reports provided by BSTX Participants, and in no case will the Exchange knowingly provide inaccurate information to the Wallet Manager. The Exchange believes that inaccuracies in end-of-day Security balances should not be routine, and has adopted a number of mechanisms as safeguards against potential inaccuracies, including a duty to promptly correct an inaccurate report, authority for the Exchange to request additional information, suspension of the reporting process, and potential disciplinary action against BSTX Participants who do not meet these requirements. See Proposed Rule 17020(e) and (f). Nevertheless, the Exchange has described here potential scenarios where potential inaccuracies could theoretically occur in the interest of full transparency. Ultimately, any

circumstances in which BSTX is unable to send the balances to the Wallet Manager or the Wallet Manager is unable to update the Ethereum blockchain, as discussed above. For these reasons, among others, the Exchange believes that initially using blockchain technology as an ancillary recordkeeping mechanism pursuant to which the Securities represented on the blockchain in tokenized form would not convey legal ownership is the appropriate way to explore the potential benefits of blockchain technology consistent with the protection of investors and the public interest.⁸⁷ In the event of any disruption to the blockchain, the architecture of the Security (and its tokenized representation), or to the end-of-day Security balance reporting process, there would be no impact on the ability of market participants to trade Securities or current balances of Securities actually held by each market participant through the facilities of DTC, which the Exchange believes furthers the protection of investors and the public interest, consistent with Section 6(b)(5) of the Exchange Act.⁸⁸ Moreover, the Exchange believes that the public has an interest in exploring the use of new technology, such as blockchain technology, and that such technology may be able to help perfect the mechanism of a free and open market and a national market system, consistent with Section 6(b)(5) of the Exchange

reporting regime depends on the accuracy of the information reported to the reporting authority, including reporting regimes administered by the Commission such as large trader reporting, ATS quarterly transaction volume data, and security-based swap reporting. See e.g., 17 CFR 13h-1(b)(1)(iii)(requiring prompt filing of a Form 13H filing at the end of each calendar quarter if any information in a Form 13H becomes inaccurate for any reason); Exchange Act Release No. 74244, 80 FR 15464 (March 19, 2015) (“any system for transaction reporting must accommodate the possibility that certain data elements may be incorrectly reported.”).

⁸⁷ 15 U.S.C. 78f(b)(5).

⁸⁸ Id. The Exchange notes that the incidences of blockchain disruption or balance reporting issues would be mitigated by its proposals in Rules 17020 (e) and (f).

Act.⁸⁹ Finally, the Exchange believes that use of anonymized wallet addresses to track end-of-day balances may prevent fraudulent and manipulative acts and practices, consistent with Section 6(b)(5) of the Exchange Act,⁹⁰ because obscuring the identities of the wallet address owners may make it difficult to misuse any private information associated with these wallet addresses. The Exchange believes that the proposal is reasonably designed to introduce blockchain technology in a gradual way and in coordination and cooperation with the industry, the Commission, and the existing regulatory framework.⁹¹

K. Trading Securities on Other National Securities Exchanges and Implications Related to End-of-Day Reporting

Securities would be eligible for trading on other national securities exchanges that extend unlisted trading privileges (“UTP”) to them. As described above in Part II.E, Securities would be held in “street name” at DTC, have a CUSIP number, and would

⁸⁹ 15 U.S.C. 78f(b)(5).

⁹⁰ Id.

⁹¹ In the SIFMA April Letter, SIFMA asked about the implications of having end-of-day balance positions publicly available and whether the reporting system can be “gamed” by a BSTX Participant falsely reporting large holdings. SIFMA April Letter at 5. The Exchange notes that knowingly reporting a false number of Securities to the Exchange would be a direct violation of proposed Rule 17020, violate just and equitable principles of trade, and would be subject to disciplinary action by the Exchange. Nevertheless, if a BSTX Participant did try to “game” the ancillary recordkeeping process by, as SIFMA suggests, over- or under-reporting a quantity, it would not have any impact on the ability of the Securities to trade, clear or settle. Further, as described above, the balance information would not be useful to inform a market participant’s trading in Securities because an observer of the blockchain would not know which market participant is associated with each wallet address, whether it is a DTC Participant reporting on behalf of multiple different BSTX participants, whether the position is long or short, and whether the position is for a customer or a proprietary position of the BSTX Participant. See supra notes 85 and 87 and accompanying text. Accordingly, it is unclear what purpose would be served or incentive there would be for a BSTX Participant to try to “game” the ancillary recordkeeping process. Attempting to do so offers no discernable advantage while at the same time exposing a BSTX Participant to disciplinary action.

clear and settle through the facilities of a clearing agency registered with the SEC (i.e., NSCC and DTC respectively). As a result, Securities would be able to trade on other exchanges and OTC in the same manner as other NMS stock. Accordingly, other exchanges would be able to extend unlisted trading privileges to Securities in accordance with Commission rules. The end-of-day Security position balance reporting by BSTX Participants and the publication of such balance information on the blockchain does not impact the ability of Securities to trade on other exchanges or OTC.

The Exchange proposes to include certain rules that contemplate the trading of Securities that may be listed on other national securities exchanges.⁹² Since there are currently no other national securities exchanges trading Securities, these rules would be implemented in anticipation of other exchanges eventually listing and trading their own Securities. BSTX recognizes that another exchange trading Securities, or the equivalent thereof, may require BSTX to adopt certain rules specific to such other exchange in order to extend unlisted trading privileges to the other exchange's Securities consistent with Rule 12f-5.⁹³

The Exchange reiterates that the proposed ancillary recordkeeping process is entirely separate from the functioning and requirements of Regulation NMS, as discussed above in II.C. Securities may trade away from BSTX in a manner identical to all other NMS stocks.

However, to the extent another exchange sought to adopt its own ancillary recordkeeping mechanism for BSTX-listed Securities, the Exchange believes there are multiple ways that this could be done. The Exchange cannot predict whether an

⁹² See e.g., proposed Rule 25040(e).

⁹³ 17 CFR 240.12f-5.

exchange would want to establish an ancillary recordkeeping mechanism with respect to BSTX-listed Securities, what model another exchange might choose, and how or whether such a structure would interact with the Exchange's end-of-day reporting structure. The Exchange expresses no view on the merits of any such hypothetical proposal other than to note that there is no limitation proposed here that would prevent another exchange from participating in the Exchange's ancillary recordkeeping process or establishing some alternative or complementary process. One possible way another exchange could structure its end-of-day Security balance reporting, would be for the exchange to adopt rules stating that it will collect end-of-day Security balance information from its members based on the balance in each participant's DTC account and then such exchange could send that information to BSTX to deliver to a Wallet Manager for posting to the Ethereum blockchain. No development of blockchain technology, smart contract functionality, or other similar technology would be required.⁹⁴ An exchange could also support trading in BSTX-listed Securities without implementing such requirements. An exchange not wishing to report end-of-day balance positions directly to BSTX could instead engage its own version of a wallet manager that could communicate with BSTX's Waller Manager(s) to facilitate updates to the Ethereum blockchain.⁹⁵ A third potential

⁹⁴ By way of analogy, this is because an exchange that adopts such a reporting structure would be in a position similar to a BSTX Participant, in that it would simply be delivering end-of-day security balance totals to BSTX (or a Wallet Manager). Therefore, just as with BSTX Participants who need not develop any particular blockchain reporting technology pursuant to end-of-day reporting, an exchange that chose to send end-of-day Security balance reports to BSTX (or a Wallet Manager that BSTX used to update the Ethereum blockchain) would not need to develop any blockchain technology.

⁹⁵ Because the ancillary recordkeeping process proposed by the Exchange is not part of Regulation NMS or designed to facilitate compliance with Regulation NMS, it is unclear that it would be necessary for BSTX and such other exchange(s) to file a NMS plan with respect to coordinating ancillary recordkeeping mechanisms. A NMS plan is defined under the Exchange Act as any joint SRO plan in connection with: "(i) the planning,

variation might be for an exchange to design its own reporting process and technology to facilitate ancillary recordkeeping, with no nexus to the BSTX reporting structure.⁹⁶ The Exchange notes that it has no authority to bind another exchange to any particular reporting structure and is not proposing anything that would limit an exchange's ability to establish a similar, different, or integrated reporting structure. As noted above and elsewhere in this proposal, the Exchange's ancillary recordkeeping mechanism is not a function of Regulation NMS as it exists today, and this proposal should not be read to impose conditions on transactions or persons other than BSTX Participants. Securities clear and settle in the same manner as other NMS stock and therefore an exchange that chooses to extend UTP to Securities may trade them in the same manner as any other NMS stock without any end-of-day or blockchain reporting structure.

Market participants that wish to trade Securities and choose to become BSTX Participants or participants of another exchange that chooses to adopt some ancillary recordkeeping process would subject themselves to either BSTX's or the other

development, operation or regulation of a national market system (or a subsystem thereof) or one or more facilities thereof; or (ii) the development and implementation of procedures and/or facilities designed to achieve compliance by a self-regulatory organizations and their members with any section of this Regulation NMS . . .” 17 CFR 242.600(b)(44). Nevertheless, to the extent the Commission believed a NMS plan would be necessary to facilitate the coordination of ancillary recordkeeping processes, the Exchange would gladly welcome any such opportunity as it would promote more complete end-of-day Security balance records by including more market participants in the process. No other exchange has yet contacted the Exchange to express interest in establishing a coordinated ancillary recordkeeping process, but the Exchange would be pleased to engage other exchanges in this regard.

⁹⁶ An exchange need not even necessarily use blockchain technology to record end-of-day position balance reports of its members. Such a recordkeeping process would not be able to leverage the smart contract functionality built into BSTX-listed issuers' shares pursuant to the BSTX Protocol, but there is nothing in principle that would prevent another exchange from using its own systems or technology to create ancillary records of its members' Security balances. In such a case, the records published by the other exchange would reflect those of its members while the Ethereum blockchain would reflect the balances of BSTX Participants. These would be separate sets of ancillary records.

exchange's ancillary reporting process or both. Of course, any market participant doing this would have to opt for participation in the relevant exchange, and any costs or compliance burden would be set forth in the rules of the relevant exchange.⁹⁷ Any market participant that would not want to perform the reporting obligations could avoid doing so by simply choosing to not become a BSTX Participant or participant of any other exchange imposing end-of-day Security balance reporting requirements on its members.

L. Benefits of a Security

As described above, the proposed BSTX Rules contemplate the use of smart contract functionality to record end-of-day Security position balance information in tokenized form to the Ethereum blockchain as an ancillary recordkeeping mechanism. The Exchange's proposal thereby represents an ancillary pairing of blockchain technology with the existing equities market infrastructure, in a manner consistent with Section 6(b)(5) and other relevant provisions of the Exchange Act, as described herein. The Commission has stated that it is "mindful of the benefits of increasing use of new technologies for investors and the markets, and has encouraged experimentation and innovation . . ."⁹⁸ stating further that "[i]nformation and communications technologies are critical to healthy and efficient primary and secondary markets."⁹⁹ Regarding the judgment of whether the benefits of certain technologies are meritorious, the Commission has explained its view that "[t]he market will ultimately prove the worth of technology --

⁹⁷ A market participant that chooses to become a BSTX Participant would only need to obtain a wallet address from the Exchange and comply with the end-of-day Security balance reporting requirement pursuant to proposed Rule 17020. There is no technological investment needed by BSTX Participants under the proposal related to the use of distributed ledger technology.

⁹⁸ Securities and Exchange Commission, *The Impact of Recent Technological Advances on the Securities Markets* (Sep. 1997), available at: <https://www.sec.gov/news/studies/techrp97.htm>.

⁹⁹ Id.

whether the benefits to the industry and its investors of developing and using new services are greater than the associated costs.”¹⁰⁰ Consistent with these statements, the Exchange believes that promoting use of the functionality of smart contracts and their ability to allocate and re-allocate Security balances in tokenized form across multiple addresses in connection with end-of-day Security position balance information of BSTX Participants will allow market participants to observe and increase their familiarity with the capabilities and potential benefits of blockchain technology in a context that parallels current equity market infrastructure and thereby advance and protect the public’s interest in the use and development of new data processing techniques that may create opportunities for more efficient, effective and safe securities markets.¹⁰¹ As noted,

¹⁰⁰ Id.

¹⁰¹ Report of the Senate Committee on Banking, Housing & Urban Affairs, S. Rep. No. 94-75, at 8 (1975) (expressing Congress’ finding that new data processing and communications systems create the opportunity for more efficient and effective markets). While the Exchange believes that its proposal represents an introductory step in pairing the benefits of blockchain technology with the current equity market infrastructure, other market participants and FINRA have recognized additional potential benefits to blockchain technology in various applications related to the securities markets. FINRA has stated “[o]ne of the proposed benefits of [blockchain technology] is the ability to offer a timestamped, sequential, audit trail of transaction records. This may provide regulators and other interested parties (e.g., internal audit, public auditors) with the opportunity to leverage the technology to view the complete history of a transaction where it may not be available today and enhance existing records related to securities transactions.” Financial Industry Regulatory Authority, Distributed Ledger Technology: Implications of Blockchain for the Securities Industry (January 2017), available at: https://www.finra.org/sites/default/files/FINRA_Blockchain_Report.pdf. Further, Paxos Trust Company echoed similar themes in connection with its receipt of no-action relief from the Commission staff, and explained in its request letter certain benefits of blockchain technology including “greater data accuracy and transparency, advanced security, and increased levels of availability and operational efficiency[.]” the Exchange believes such benefits may be generally relevant to future potential applications of blockchain technology. See Letter from Jeffrey S. Mooney, Division of Trading and Markets, Securities and Exchange Commission to Charles Cascarilla and Daniel Burstein, Paxos Trust Company, LLC re: Clearing Agency Registration Under Section 17A(b)(1) of the Securities Exchange Act of 1934 (October 28, 2019), available at:

because the blockchain and Security balances recorded on the Ethereum blockchain in tokenized form do not reflect legal ownership of the actual securities of BSTX-listed issuers, any disruption to the Ethereum blockchain, the Security architecture, or the end-of-day reporting process would have no impact on the ability of Securities to trade on BSTX or otherwise, which the Exchange believes furthers the protection of investors and the public interest, consistent with Section 6(b)(5) of the Exchange Act.¹⁰²

III. *Proposed BSTX Rules*

The discussion in this Part III addresses the proposed BSTX Rules that would be adopted as Rule Series 17000 through 28000.

A. General Provisions of BSTX and Definitions (Rule 17000 Series)

The Exchange proposes to adopt as its Rule 17000 Series (General Provisions of BSTX) a set of general provisions relating to the trading of Securities and other rules governing participation on BSTX. Proposed Rule 17000 sets forth the defined terms used throughout the BSTX Rules. The majority of the proposed definitions are substantially similar to defined terms used in other equities exchange rulebooks, such as with respect to the term “customer.”¹⁰³ The Exchange proposes to set forth new definitions for certain terms to specifically identify systems, agreements, or persons as they relate to BSTX and as distinct from other Exchange systems, agreements, or persons that may be used in

<https://www.sec.gov/divisions/marketreg/mr-noaction/2019/paxos-trust-company-102819-17a.pdf>.

¹⁰² 15 U.S.C. 78f(b)(5).

¹⁰³ Proposed Rule 17000(a)(16) defines the term “customer” to not include a broker or dealer, which parallels the same definition in other exchange rulebooks. See e.g., IEX Rule 1.160(j). Similarly, the Exchange proposes to define the term “Regular Trading Hours” as the time between 9:30 a.m. and 4:00 p.m. Eastern Time. See proposed Rule 17000(a)(28) cf. IEX Rule 1.160(gg) (defining “Regular Market Hours” in the same manner).

connection with the trading of other options on the Exchange.¹⁰⁴ The Exchange also proposes to define certain unique terms relating to the trading of Securities, including the term “Security” itself¹⁰⁵ and “Wallet Manager.”¹⁰⁶ The term “Wallet Manager” is defined to provide context to the wallet address whitelisting and end-of-day Security balance reporting processes used to update the Ethereum blockchain as an ancillary recordkeeping mechanism.¹⁰⁷

In addition to setting forth proposed definitions used throughout the proposed Rules, the Exchange proposes to specify in proposed Rule 17010 (Applicability) that the Rules set forth in the Rule 17000 Series to Rule 28000 Series apply to the trading, listing, and related matters pertaining to the trading of Securities. Proposed Rule 17010(b) provides that, unless specific Rules relating to Securities govern or unless the context otherwise requires, the provisions of any Exchange Rule (i.e., including Exchange Rules in the Rule 100 through 16000 Series) shall be applicable to BSTX Participants.¹⁰⁸ This is intended

¹⁰⁴ For example, the Exchange proposes to define the term “BSTX” to mean the facility of the Exchange for executing transaction in Securities, the term “BSTX Participant” to mean a Participant or Options Participant (as those terms are defined in the Exchange’s Rule 100 Series) that is authorized to trade Securities, and the term “BSTX System” to mean the automated trading system used by BSTX for the trading of Securities. See proposed Rule 17000(a)(8), (11), and (14).

¹⁰⁵ Proposed Rule 17000(a)(30) provides that the term “Security” means a NMS stock, as defined in Rule 600(b)(47) of the Exchange Act, trading on the BSTX System and for which ancillary Ethereum blockchain records are maintained under the BSTX Rules. The proposed definition further specifies that references to a “security” or “securities” in the Rules may include Securities.

¹⁰⁶ Proposed Rule 17000(a)(31) defines the term “Wallet Manager” as a party approved by BSTX to operate software compatible with the BSTX Protocol. See also supra Sections II.G and H. for a discussion of the role of a Wallet Manager.

¹⁰⁷ See supra note 53.

¹⁰⁸ Proposed Rule 17010 further specifies that to the extent the provisions of the Rules relating to the trading of Securities contained in Rule 17000 Series to Rule 28000 Series are inconsistent with any other provisions of the Exchange Rules, the Rules relating to Security trading shall control.

to make clear that BSTX Participants are subject to all of the Exchange's Rules that may be applicable to them, notwithstanding that their trading activity may be limited solely to trading Securities. The Exchange believes that the proposed definitions set forth in Rule 17000 are consistent with Section 6(b)(5) of the Exchange Act¹⁰⁹ because they protect investors and the public interest by setting forth clear definitions that help BSTX Participants understand and apply Exchange Rules. Without clearly defining terms used in the Exchange's Rules and providing clarity as to the Exchange Rules that may apply, market participants could be confused as to the application of certain rules, which could cause harm to investors.

Proposed Rule 17020 sets forth the requirements to obtain a whitelisted wallet address from BSTX, and the end-of-day Security balance reporting, which are discussed in greater detail above in Parts II.G through L.

B. Participation on BSTX (Rule 18000 Series)

The Exchange proposes to adopt as its Rule 18000 Series (Participation on BSTX), three rules setting forth certain requirements relating to participation on BSTX. Proposed Rule 18000 (BSTX Participation) establishes "BSTX Participants" as a new category of Exchange participation for effecting transactions on the BSTX System, provided they: (i) complete the BSTX Participant Application, Participation Agreement, and User Agreement;¹¹⁰ (ii) be an existing Options Participant or become a Participant of the Exchange pursuant to the Rule 2000 Series; and (iii) provide such other information as required by the Exchange.¹¹¹ Proposed Rule 18010 (Requirements for BSTX

¹⁰⁹ 15 U.S.C. 78f(b)(5).

¹¹⁰ The BSTX Participant Application, Participation Agreement, and User Agreement are attached as Exhibits 3A, 3B, and 3C respectively.

¹¹¹ Proposed Rule 18000 also sets forth the Exchange's review process regarding BSTX

Participants) sets forth certain requirements for BSTX Participants including requirements that each BSTX Participant comply with Rule 15c3-1 under the Exchange Act, comply with applicable books and records requirements, and be a member of a registered clearing agency or clear Security transactions through another BSTX Participant that is a member/participant of a registered clearing agency.¹¹² Finally, proposed Rule 18020 (Associated Persons) provides that associated persons of a BSTX Participant are bound by the Rules of the Exchange to the same extent as each BSTX Participant.

The Exchange believes that the proposed Rule 18000 Series (Participation on BSTX) is consistent with Section 6(b)(5) of the Exchange Act¹¹³ because these proposed rules are designed to promote just and equitable principles of trade, and protect investors and the public interest by setting forth the requirements to become a BSTX Participant and specifying that associated persons of a BSTX Participant are bound by Exchange Rules. Under proposed Rule 18000, a BSTX Participant must first become an Exchange Participant pursuant to the Exchange Rule 2000 Series which the Exchange believes would help assure that BSTX Participants meet the appropriate standards for trading on BSTX in furtherance of the protection of investors.¹¹⁴

Participation Agreements and certain limitations on the ability to transfer BSTX Participant status (e.g., in the case of a change of control). In addition proposed Rule 18000(b)(2) provides that a BSTX Participant shall continue to abide by all applicable requirements of the Rule 2000 Series, which would include, for example, IM-2040-5, which specifies continuing education requirements of Exchange Participants and their associated persons.

¹¹² Proposed Rule 18010(b) is similar to the rules of existing exchanges. See e.g., IEX Rule 2.160(c). Proposed Rule 18010(a) is also similar to the rules of existing exchanges. See e.g., IEX Rule 1.160(s) and Cboe BZX Rule 17.2(a).

¹¹³ 15 U.S.C. 78f(b)(5).

¹¹⁴ The Exchange notes that the approach of requiring members of a facility of an

C. Business Conduct for BSTX Participants (Rule 19000 Series)

The Exchange proposes to adopt as its Rule 19000 Series (Business Conduct for BSTX Participants), twenty two rules relating to business conduct requirements for BSTX Participants that are substantially similar to business conduct rules of other exchanges.¹¹⁵ The proposed Rule 19000 Series would specify business conduct requirements with respect to: (i) just and equitable principles of trade;¹¹⁶ (ii) adherence to law;¹¹⁷ (iii) use of fraudulent devices;¹¹⁸ (iv) false statements;¹¹⁹ (v) know your customer;¹²⁰ (vi) fair dealing with customers;¹²¹ (vii) suitability;¹²² (viii) the prompt

exchange to first become members of the exchange is consistent with the approach used by another national securities exchange. See Cboe BZX Rule 17.1(b)(3) (requiring that a Cboe BZX options member be an existing member or become a member of the Cboe BZX equities exchange pursuant to the Cboe BZX Chapter II Series).

¹¹⁵ See Cboe BZX Chapter 5 rules. See also IEX Rule 5.150 with respect to proposed Rule 21040 (Prevention of the Misuse of Material, Non-Public Information).

¹¹⁶ Proposed Rule 19000 (Just and Equitable Principles of Trade) provides that no BSTX Participant, including its associated persons, shall engage in acts or practices inconsistent with just and equitable principles of trade.

¹¹⁷ Proposed Rule 19010 (Adherence to Law) generally requires BSTX Participants to adhere to applicable laws and regulatory requirements.

¹¹⁸ Proposed Rule 19020 (Use of Fraudulent Devices) generally prohibits BSTX Participants from effecting a transaction in any security by means of a manipulative, deceptive or other fraudulent device or contrivance.

¹¹⁹ Proposed Rule 19030 (False Statements) generally prohibits BSTX Participants and their associated persons from making false statements or misrepresentations in communications with the Exchange.

¹²⁰ Proposed Rule 19040 (Know Your Customer) requires BSTX Participants to comply with FINRA Rule 2090 as if such rule were part of the Exchange Rules.

¹²¹ Proposed Rule 19050 (Fair Dealing with Customers) generally requires BSTX Participants to deal fairly with customers and specifies certain activities that would violate the duty of fair dealing (e.g., churning or overtrading in relation to the objectives and financial situation of a customer).

¹²² Proposed Rule 19060 (Suitability) provides that BSTX Participants and their associated persons shall comply with FINRA Rule 2111 as if such rule were part of the Exchange Rules.

receipt and delivery of securities;¹²³ (ix) charges for services performed;¹²⁴ (x) use of information obtained in a fiduciary capacity;¹²⁵ (xi) publication of transactions and quotations;¹²⁶ (xii) offers at stated prices;¹²⁷ (xiii) payments involving publications that influence the market price of a security;¹²⁸ (xiv) customer confirmations;¹²⁹ (xv) disclosure of a control relationship with an issuer of Securities;¹³⁰ (xvi) discretionary accounts;¹³¹ (xvii) improper use of customers' securities or funds and a prohibition against guarantees and sharing in accounts;¹³² (xviii) the extent to which sharing in

¹²³ Proposed Rule 19070 (Prompt Receipt and Delivery of Securities) would generally prohibit a BSTX Participant from accepting a customer's purchase order for a security until it can determine that the customer agrees to receive the securities against payment.

¹²⁴ Proposed Rule 19080 (Charges for Services Performed) generally requires that charges imposed on customers by broker-dealers shall be reasonable and not unfairly discriminatory.

¹²⁵ Proposed Rule 19090 (Use of Information Obtained in a Fiduciary Capacity) generally restricts the use of information as to the ownership of securities when acting in certain capacities (e.g., as a trustee).

¹²⁶ Proposed Rule 19100 (Publication of Transactions and Quotations) generally prohibits a BSTX Participant from disseminating a transaction or quotation information unless the BSTX Participant believes it to be bona fide.

¹²⁷ Proposed Rule 19110 (Offers at Stated Prices) generally prohibits a BSTX Participant from offering to transact in a security at a stated price unless it is in fact prepared to do so.

¹²⁸ Proposed Rule 19120 (Payments Involving Publications that Influence the Market Price of a Security) generally prohibits direct or indirect payments with the aim of disseminating information that is intended to effect the price of a security.

¹²⁹ Proposed Rule 19130 (Customer Confirmations) requires that BSTX Participants comply with Rule 10b-10 of the Exchange Act. 17 CFR 240.10b-10.

¹³⁰ Proposed Rule 19140 (Disclosure of Control Relationship with Issuer) generally requires BSTX Participants to disclose any control relationship with an issuer of a security before effecting a transaction in that security for the customer.

¹³¹ Proposed Rule 19150 (Discretionary Accounts) generally provides certain restrictions on BSTX Participants handling of discretionary accounts, such as by effecting excessive transactions or obtained authorization to exercise discretionary powers.

¹³² Proposed Rule 19160 (Improper Use of Customers' Securities or Funds and Prohibition against Guarantees and Sharing in Accounts) generally prohibits BSTX Participants from making improper use of customers securities or funds and prohibits

accounts is permissible;¹³³ (xix) communications with customers and the public;¹³⁴ (xx) gratuities;¹³⁵ (xxi) telemarketing;¹³⁶ and (xxii) mandatory systems testing.¹³⁷ The Exchange notes that the proposed financial responsibility rules are virtually identical to those of other national securities exchanges other than changes to defined terms and certain other provisions that would not apply to the trading of Securities on the BSTX System.¹³⁸

The Exchange believes that the proposed Rule 19000 Series (Business Conduct) is consistent with Section 6(b)(5) of the Exchange Act¹³⁹ because these proposed rules are designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, and protect investors and the public interest by setting forth

guarantees to customers against losses.

¹³³ Proposed Rule 19170 (Sharing in Accounts; Extent Permissible) generally prohibits BSTX Participants and their associated persons from sharing directly or indirectly in the profit or losses of the account of a customer unless certain exceptions apply such as where an associated person receives prior written authorization from the BSTX Participant with which he or she is associated.

¹³⁴ Proposed Rule 19180 (Communications with Customers and the Public) generally provides that BSTX Participants and their associated persons shall comply with FINRA Rule 2210 as if such rule were part of the Exchange Rules.

¹³⁵ Proposed Rule 19200 (Gratuities) requires BSTX Participants to comply with the requirements set forth in BOX Exchange Rule 3060 (Gratuities).

¹³⁶ Proposed Rule 19210 (Telemarketing) requires that BSTX Participants and their associated persons comply with FINRA Rule 3230 as if such rule were part of the Exchange's Rules.

¹³⁷ Proposed Rule 19220 (Mandatory Systems Testing) requires that BSTX Participants comply with Exchange Rule 3180 (Mandatory Systems Testing).

¹³⁸ For example, the Exchange is not proposing to adopt a rule contained in other exchanges' business conduct rules relating to disclosures that broker-dealers give to their customers regarding the risks of effecting securities transactions during times other than during regular trading hours (e.g., higher volatility, possibly lower liquidity) because executions may only occur during regular trading hours on the BSTX System. See e.g., IEX Rule 3.290, Cboe BZX Rule 3.21.

¹³⁹ 15 U.S.C. 78f(b)(5).

appropriate standards of conduct applicable to BSTX Participants in carrying out their business activities. For example, proposed Rule 19000 (Just and Equitable Principles of Trade) and 19010 (Adherence to Law) would prohibit BSTX Participants from engaging in acts or practices inconsistent with just and equitable principles of trade or that would violate applicable laws and regulations. Similarly, proposed Rule 19050 (Fair Dealing with Customers) would require that BSTX Participants deal fairly with their customers and proposed Rule 19030 (False Statements) would generally prohibit BSTX Participants, or their associated persons from making false statements or misrepresentations to the Exchange. The Exchange believes that requiring that BSTX Participants comply with the proposed business conduct rules in the Rule 19000 Series would further the protection of investors and the public interest by promoting high standards of commercial honor and integrity. In addition, each of the rules in the proposed Rule 19000 Series (Business Conduct) is substantially similar to supervisory rules of other exchanges.¹⁴⁰

D. Financial and Operational Rules for BSTX Participants (Rule 20000 Series)

The Exchange proposes to adopt as its Rule 20000 Series (Financial and Operational Rules), ten rules relating to financial and operational requirements for BSTX Participants that are substantially similar to financial and operational rules of other exchanges.¹⁴¹ The proposed Rule 20000 Series would specify financial and operational requirements with respect to: (i) maintenance and furnishing of books and records;¹⁴² (ii) financial

¹⁴⁰ See supra note 115.

¹⁴¹ See Cboe BZX Chapter 6 rules and IEX Chapter 5 rules.

¹⁴² Proposed Rule 20000 (Maintenance, Retention and Furnishing of Books, Records and Other Information) requires that BSTX Participants comply with current Exchange Rule

reports;¹⁴³ (iii) net capital compliance;¹⁴⁴ (iv) early warning notifications pursuant to Rule 17a-11 under the Exchange Act;¹⁴⁵ (v) authority of the Chief Regulatory Officer to impose certain restrictions;¹⁴⁶ (vi) margin;¹⁴⁷ (vii) day-trading margin;¹⁴⁸ (viii) customer account information;¹⁴⁹ (ix) maintaining records of customer complaints;¹⁵⁰ and (x) disclosure of financial condition.¹⁵¹

1000 (Maintenance, Retention and Furnishing of Books, Records and Other Information) and that BSTX Participants shall submit to the Exchange order, market and transaction data as the Exchange may specify by Information Circular.

¹⁴³ Proposed Rule 20010 (Financial Reports) provides that BSTX Participants shall comply with the requirements of current Exchange Rule 10020 (Financial Reports).

¹⁴⁴ Proposed Rule 20020 (Capital Compliance) provides that each BSTX Participant subject to Rule 15c3-1 under the Exchange Act (17 CFR 240.15c3-1) shall comply with such rule and other financial and operational rules contained in the proposed Rule 20000 series.

¹⁴⁵ 17 CFR 240.17a-11. Proposed Rule 20030 (“Early Warning” Notification) provides that BSTX Participants subject to the reporting or notifications requirements of Rule 17a-11 under the Exchange Act (17 CFR 240.17a-11) or similar “early warning” requirements imposed by other regulators shall provide the Exchange with certain reports and financial statements.

¹⁴⁶ Proposed Rule 20040 (Power of CRO to Impose Restrictions) generally provides that the Exchange’s Chief Regulatory Officer may impose restrictions and conditions on a BSTX Participant subject to the early warning notification requirements under certain circumstances.

¹⁴⁷ Proposed Rule 20050 (Margin) sets forth the required margin amounts for certain securities held in a customer’s margin account.

¹⁴⁸ Proposed Rule 20060 (Day Trading Margin) sets forth additional requirements with respect to customers that engage in day trading.

¹⁴⁹ Proposed Rule 20070 (Customer Account Information) requires that BSTX Participants comply with FINRA Rule 4512 as if such rule were part of the Exchange Rules and further clarifies certain cross-references within FINRA Rule 4512.

¹⁵⁰ Proposed Rule 20080 (Record of Written Customer Complaints) requires that BSTX Participants comply with FINRA Rule 4513 as if such rule were part of the Exchange Rules.

¹⁵¹ Proposed Rule 20090 (Disclosure of Financial Condition) generally requires that BSTX Participants make available certain information regarding the BSTX Participant’s financial condition upon request of a customer.

The Exchange believes that the proposed Rule 20000 (Financial and Operational Rules) Series is consistent with Section 6(b)(5) of the Exchange Act¹⁵² because these proposed rules are designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, and protect investors and the public interest by subjecting BSTX Participants to certain recordkeeping, disclosure, and related requirements designed to ensure that BSTX Participants conduct themselves in a financially responsible manner. For example, proposed Rule 20000 would require BSTX Participants to comply with existing Exchange Rule 1000, which sets forth certain recordkeeping responsibilities and the obligation to furnish these to the Exchange upon request so that the Exchange can appropriately monitor the financial condition of a BSTX Participant and its compliance with applicable regulatory requirements. Similarly, proposed Rule 20050 would set forth the margin requirements that BSTX Participants must retain with respect to customers trading in a margin account to ensure that BSTX Participants are not extending credit to customers in a manner that might put the financial condition of the BSTX Participant in jeopardy. Each of the proposed rules in the Rule 20000 Series (Financial and Operational Rules) is substantially similar to existing rules of other exchanges or incorporates an existing rule of the Exchange or another self-regulatory organization (“SRO”) by reference.

E. Supervision (Rule 21000 Series)

The Exchange proposes to adopt as its Rule 21000 Series (Supervision), six rules relating to certain supervisory requirements for BSTX Participants that are substantially similar to supervisory rules of other exchanges.¹⁵³ The Proposed Rule 21000 Series

¹⁵² 15 U.S.C. 78f(b)(5).

¹⁵³ See Cboe BZX Chapter 5 rules. See also IEX Rule 5.150 with respect to proposed

would specify supervisory requirements with respect to: (i) enforcing written procedures to appropriately supervise the BSTX Participant's conduct and compliance with applicable regulatory requirements;¹⁵⁴ (ii) designation of an individual to carry out written supervisory procedures;¹⁵⁵ (iii) maintenance and keeping of records carrying out the BSTX Participant's written supervisory procedures;¹⁵⁶ (iv) review of activities of each of a BSTX Participant's offices, including periodic examination of customer accounts to detect and prevent irregularities or abuses;¹⁵⁷ (v) the prevention of the misuse of material non-public information;¹⁵⁸ and (vi) implementation of an anti-money laundering ("AML") compliance program.¹⁵⁹ These rules are designed to ensure that BSTX Participants are able to appropriately supervise their business activities, review and maintain records with respect to such supervision, and enforce specific procedures relating insider-trading and AML.

Rule 21040 (Prevention of the Misuse of Material, Non-Public Information).

¹⁵⁴ Proposed Rule 21000 (Written Procedures).

¹⁵⁵ Proposed Rule 21010 (Responsibility of BSTX Participants) would also require that a copy of a BSTX's written supervisory procedures be kept in each office and makes clear that final responsibility for proper supervision rests with the BSTX Participant.

¹⁵⁶ Proposed Rule 21020 (Records).

¹⁵⁷ Proposed Rule 21030 (Review of Activities).

¹⁵⁸ Proposed Rule 21040 (Prevention of the Misuse of Material, Non-Public Information) generally requires BSTX Participants to enforce written procedures designed to prevent misuse of material non-public information and sets forth examples of conduct that would constitute a misuse of material, non-public information.

¹⁵⁹ Proposed Rule 21050 (Anti-Money Laundering Compliance Program). The Exchange already has rules with respect to Exchange Participants enforcing an AML compliance program set forth in Exchange Rule 10070 (Anti-Money Laundering Compliance Program), so proposed Rule 21050 specifies that BSTX Participants shall comply with the requirements of that pre-existing rule.

The Exchange believes that the proposed Rule 21000 (Supervision) Series is consistent with Section 6(b)(5) of the Exchange Act¹⁶⁰ because these proposed rules are designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, and protect investors and the public interest by ensuring that BSTX Participants have appropriate supervisory controls in place to carry out their business activities in compliance with applicable regulatory requirements. For example, proposed Rule 21000 (Written Procedures) would require BSTX Participants to enforce written procedures which enable them to supervise the activities of their associated persons and proposed Rule 21010 (Responsibility of BSTX Participants) would require a BSTX Participant to designate a person in each office to carry out written supervisory procedures. Requiring appropriate supervision of a BSTX Participant's business activities and associated persons would promote compliance with the federal securities laws and other applicable regulatory requirements in furtherance of the protection of investors and the public interest.¹⁶¹ In addition, each of the rules in the proposed Rule 21000 Series (Supervision) is substantially similar to supervisory rules of other exchanges.¹⁶²

F. Miscellaneous Provisions (Rule 22000 Series)

The Exchange proposes to adopt as its Rule 22000 Series (Miscellaneous Provisions), six rules relating to a variety of miscellaneous requirements applicable to BSTX Participants that are substantially similar to rules of other exchanges.¹⁶³ These

¹⁶⁰ 15 U.S.C. 78f(b)(5).

¹⁶¹ Id.

¹⁶² See supra note 153.

¹⁶³ See Cboe BZX Chapter 13 rules. See also IEX Rule 6.180 with respect to proposed Rule 22050 (Transactions Involving BOX Employees).

miscellaneous provisions relate to: (i) comparison and settlement requirements;¹⁶⁴ (ii) failures to deliver and failures to receive;¹⁶⁵ (iii) forwarding of proxy and other issuer-related materials;¹⁶⁶ (iv) commissions;¹⁶⁷ (v) regulatory services agreements;¹⁶⁸ and (vi) transactions involving Exchange employees.¹⁶⁹ These rules are designed to capture additional regulatory requirements applicable to BSTX Participants, such as setting forth their obligation to deliver proxy materials at the request of an issuer and to incorporate by reference Rule 200 – 203 of Regulation SHO.¹⁷⁰

¹⁶⁴ Proposed Rule 22000 (Comparison and Settlement Requirements) provides that a BSTX Participant that is a member of a registered clearing agency shall implement comparison and settlement procedures as may be required under the rules of such entity. The proposed rule would further provide that, notwithstanding this general provision, the Board may extend or postpone the time of delivery of a BSTX transaction whenever the Board determines that it is called for by the public interest, just and equitable principles of trade or to address unusual conditions. In such a case, delivery will occur as directed by the Board.

¹⁶⁵ Proposed Rule 22010 (Failure to Deliver and Failure to Receive) provides that borrowing and deliveries must be effected in accordance with Rule 203 of Regulation SHO (17 CFR 242.203) and incorporates Rules 200 – 203 of Regulation SHO by reference into the rule (17 CFR §§ 242.200 – 203).

¹⁶⁶ Proposed Rule 22020 (Forwarding of Proxy and Other Information; Proxy Voting) generally provides that BSTX Participants shall forward proxy materials when requested by an issuer and sets forth certain conditions and limitations for BSTX Participants to give a proxy to vote stock that is registered in its name.

¹⁶⁷ Proposed Rule 22030 (Commissions) provides that the Exchange Rules or practices shall not be construed to allow a BSTX Participant or its associated persons to agree or arrange for the charging of fixed rates commissions for transactions on the Exchange.

¹⁶⁸ Proposed Rule 22040 (Regulatory Service Agreement) provides that the Exchange may enter into regulatory services agreements with other SROs to assist in carrying out regulatory functions, but the Exchange shall retain ultimate legal responsibility for, and control of, its SRO responsibilities.

¹⁶⁹ Proposed Rule 22040 (Transactions Involving Exchange Employees) sets forth conditions and limitations on a BSTX Participant providing loans or supporting the account of an Exchange employee (e.g., promptly obtaining and implementing an instruction from the employee to provide duplicate account statement to the Exchange) in order to mitigate any potential conflicts of interest that might arise from such a relationship.

¹⁷⁰ 17 CFR §§ 242.200 – 203.

The Exchange believes that the proposed Rule 22000 (Miscellaneous Provisions) Series is consistent with Section 6(b)(5) of the Exchange Act¹⁷¹ because these proposed rules are designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, and protect investors and the public interest by ensuring that BSTX Participants comply with additional regulatory requirements, such as Rule 203 of Regulation SHO¹⁷² as provided in proposed Rule 22010 (Failure to Deliver and Failure to Receive), in connection with their participation on BSTX. For example, proposed Rule 22030 (Commissions) prohibits BSTX Participants from charging fixed rates of commissions for transactions on the Exchange consistent with Section 6(e)(1) of the Exchange Act.¹⁷³ Similarly, proposed Rule 22050 (Transactions involving Exchange Employees) sets forth certain requirements and prohibitions relating to a BSTX Participant providing certain financial services to an Exchange employee, which the Exchange believes helps prevent potentially fraudulent and manipulative acts and practices and furthers the protection of investors and the public interest.

G. Trading Practice Rules (Rule 23000 Series)

The Exchange proposes to adopt as its Rule 23000 Series (Trading Practice Rules), 14 rules relating to trading practice requirements for BSTX Participants that are substantially similar to trading practice rules of other exchanges.¹⁷⁴ The proposed Rule 23000 series would specify trading practice requirements related to: (i) market manipulation; (ii) fictitious transactions; (iii) excessive sales by a BSTX Participant; (iv) manipulative transactions; (v) dissemination of false information; (vi) prohibition against trading ahead

¹⁷¹ 15 U.S.C. 78f(b)(5).

¹⁷² 17 CFR 242.203.

¹⁷³ 15 U.S.C. 78f(e)(1).

¹⁷⁴ See Cboe BZX Chapter 12 rules.

of customer orders; (vii) joint activity; (viii) influencing data feeds; (ix) trade shredding; (x) best execution; (xi) publication of transactions and changes; (xii) trading ahead of research reports; (xiii) front running of block transactions; and (xiv) a prohibition against disruptive quoting and trading activity. The purpose of the trading practice rules is to set forth standards and rules relating to the trading conduct of BSTX Participants, primarily with respect to prohibiting forms of market manipulation and specifying certain obligations broker-dealers have to their customers, such as the duty of best execution. For example, proposed Rule 23000 (Market Manipulation) sets forth a general prohibition against a BSTX Participant purchasing a security at successively higher prices or sales of a security at successively lower prices, or to otherwise engage in activity for the purpose of creating or inducing a false, misleading or artificial appearance of activity in such security.¹⁷⁵ Proposed Rule 23010 (Fictitious Transactions) similarly prohibits BSTX Participants from fictitious transaction activity, such as executing a transaction which involves no beneficial change in ownership, and proposed Rule 23020 (Excessive Sales by a BSTX Participant) prohibits a BSTX Participant from executing purchases or sales in any security trading on the Exchange for any account in which it has an interest, which are excessive in view of the BSTX Participant's financial resources or in view of the market for such security.¹⁷⁶ Proposed Rule 23060 (Joint Activity)

¹⁷⁵ Proposed Rule 23030 (Manipulative Transactions) specifies further prohibitions relating to potential manipulation by prohibiting BSTX Participants from, among other things, participating or having any direct or indirect interest in the profits of a manipulative operation or knowingly managing or financing a manipulative operation.

¹⁷⁶ Other proposed rules relating to potential manipulation include: (i) Rule 23040 (Dissemination of False Information), which generally prohibits, consistent with Exchange Rule 3080, BSTX Participants from spreading information that is false or misleading; (ii) Rule 23070 (Influencing Data Feeds), which generally prohibits transactions to influence data feeds; (iii) Rule 23080 (Trade Shredding), which generally prohibits conduct that has the intent or effect of splitting any order into multiple smaller

prohibits a BSTX Participant from directly or indirectly holding any interest or participation in any joint account for buying or selling a security traded on the Exchange unless reported to the Exchange with certain information provided and proposed Rule 23090 (Best Execution) reaffirms BSTX Participants best execution obligations to their customers.¹⁷⁷

Proposed Rule 23050 (Prohibition against Trading Ahead of Customer Orders) is substantially similar to FINRA 5320 and rules adopted by other exchanges,¹⁷⁸ and generally prohibits BSTX Participants from trading ahead of customer orders unless certain enumerated exceptions are available and requires BSTX Participants to have a written methodology in place governing execution priority to ensure compliance with the Rule. The Exchange proposes to adopt each of the exceptions to the prohibition against trading ahead of customer orders as provided in FINRA Rule 5320 other than the exception related to trading outside of normal market hours, since trading on the Exchange would be limited to regular trading hours.

orders for the primary purpose of maximizing remuneration to the BSTX Participant; (iv) Rule 23110 (Trading Ahead of Research Reports), which generally prohibits BSTX Participants from trading based on non-public advance knowledge of a research report and requires BSTX Participants to enforce policies and procedures to limit information flow from research personnel to trading personnel that might trade on such information; (v) Rule 23120 (Front Running Block Transactions), which incorporates FINRA Rule 5270 as though it were part of the Exchange's Rules; and (vi) Rule 23130 (Disruptive Quoting and Trading Activity Prohibited), which incorporates Exchange Rule 3220 by reference.

¹⁷⁷ In addition, proposed Rule 23100 (Publication of Transactions and Changes) provides that the Exchange will disseminate transaction information to appropriate data feeds, BSTX participants must provide information necessary to facilitate the dissemination of such information, and that an Exchange official shall be responsible for approving corrections to any reports transmitted over data feeds.

¹⁷⁸ See e.g., Cboe BZX Rule 12.6.

The Exchange proposes to adopt the order handling procedures requirement in proposed Rule 23050(i) consistent with the rules of other exchanges.¹⁷⁹ Specifically, proposed Rule 23050(i) would provide that a BSTX Participant must make every effort to execute a marketable customer order that it receives fully and promptly and must cross customer orders when they are marketable against each other consistent with the proposed Rule.

The Exchange proposes to adopt a modified version of the exception set forth in FINRA Rule 5320.06 relating to minimum price improvement standards as proposed in Rule 23050(h). Under proposed Rule 23050(h), BSTX Participants would be permitted to execute an order on a proprietary basis when holding an unexecuted limit order in that same security without being required to execute the held limit order provided that they give price improvement of \$0.01 to the unexecuted held limit order. While FINRA Rule 5320.06 sets forth alternate, lower price improvement standards for securities priced below \$1, the Exchange proposes to adopt a uniform price improvement requirement of \$0.01 for securities traded on the BSTX System consistent with the Exchange's proposed uniform minimum price variant of \$0.01 set forth in proposed Rule 25030.

In addition, the Exchange proposes to adopt an exception for bona fide error transactions as proposed in Rule 25030(g) which would allow a BSTX Participant to trade ahead of a customer order if the trade is to correct a bona fide error, as defined in the rule. This proposed exception is nearly identical to similar exceptions of other exchanges¹⁸⁰ except that other exchange rules also provide an exception whereby firms may submit a proprietary order ahead of a customer order to offset a customer order that

¹⁷⁹ See e.g., Cboe BZX Rule 12.6.07.

¹⁸⁰ See e.g., Cboe BZX Rule 12.5.05.

is in an amount other than a round lot (i.e., 100 shares). The Exchange is not adopting an exception for odd-lot orders under these circumstances because the minimum unit of trading for Securities pursuant to proposed Rule 25020 is one Security. The Exchange believes that there may be a notable amount of trading in amounts of less than 100 Securities (i.e., trading in odd-lot amounts), and the Exchange accordingly does not believe that it is appropriate to allow BSTX Participants to trade ahead of customer orders just to offset an odd-lot customer order.

The Exchange believes that the proposed Rule 23000 Series relating to trading practice rules is consistent with Section 6(b)(5) of the Exchange Act¹⁸¹ because these proposed rules are designed to prevent fraudulent and manipulative acts and practices that could harm investors and to promote just and equitable principles of trade. The proposed rules in the Rule 23000 Series are substantially similar to the rules of other exchanges and generally include a variety of prohibitions against types of trading activity or other conduct that could potentially be manipulative, such as prohibitions against market manipulation, fictitious transactions, and the dissemination of false information. The Exchange has proposed to exclude certain provisions from, or make certain modifications to, comparable rules of other SROs, as detailed above, in order to account for certain unique aspects related to the proposed trading of Securities. The Exchange believes that it is consistent with applicable requirements under the Exchange Act to exclude these provisions and exceptions because they set forth requirements that would not apply to BSTX Participants trading in Securities and are not necessary for the Exchange to carry out its functions of facilitating Security transactions and regulating BSTX Participants.

H. Disciplinary Rules (Rule 24000 Series)

¹⁸¹ 15 U.S.C. 78f(b)(5).

With respect to disciplinary matters, the Exchange proposes to adopt Rule 24000 (Discipline and Summary Suspension), which provides that the provisions of the Exchange Rule 11000 Series (Summary Suspension), 12000 Series (Discipline), 13000 Series (Review of Certain Exchange Actions), and 14000 Series (Arbitration) of the Exchange Rules shall be applicable to BSTX Participants and trading on the BSTX System. The Exchange already has Rules pertaining to discipline and suspension of Exchange Participants that it proposes to extend to BSTX Participants and trading on the BSTX System. The Exchange also proposes to adopt as Rule 24010 a minor rule violation plan with respect to transactions on BSTX.¹⁸²

Proposed Rule 24000 incorporates by reference existing rules that have already been approved by the Commission.

I. Trading Rules and the BSTX System (Rule 25000 Series)

1. Rule 25000 – Access to and Conduct on the BSTX Marketplace

The Exchange proposes to adopt Rule 25000 (Access to and Conduct on the BSTX Marketplace) to set forth rules relating to access to the BSTX System and certain conduct requirements applicable to BSTX Participants. Specifically, proposed Rule 25000 provides that only BSTX Participants, including their associated persons, that are approved for trading on the BSTX System shall effect any transaction on the BSTX System. Proposed Rule 25000(b) generally requires that a BSTX Participant maintain a list of authorized traders that may obtain access to the BSTX System on behalf of the BSTX Participant, have procedures in place reasonably designed to ensure that all

¹⁸² The proposed additions to the Exchange's minor rule violation plan pursuant to proposed Rule 24010 are discussed below in Part IV.

authorized traders comply with Exchange Rules and to prevent unauthorized access to the BSTX System, and to provide the list of authorized traders to the Exchange upon request. Proposed Rule 25000(c) and (d) restate provisions that are already set forth in Exchange Rule 7000, generally providing that BSTX Participants shall not engage in conduct that is inconsistent with the maintenance of a fair and orderly market or the ordinary and efficient conduct of business, as well as conduct that is likely to impair public confidence in the operations of the Exchange. Examples of such prohibited conduct include failure to abide by a determination of the Exchange, refusal to provide information requested by the Exchange, and failure to adequately supervise employees. Proposed Rule 25000(f) provides the Exchange with authority to suspend or terminate access to the BSTX System under certain circumstances.

The Exchange believes that proposed Rule 25000 is consistent with Section 6(b)(5) of the Exchange Act¹⁸³ because it is designed to protect investors and the public interest and promote just and equitable principles of trade by ensuring that BSTX Participants would not allow for unauthorized access to the BSTX System and would not engage in conduct detrimental to the maintenance of fair and orderly markets.

2. Rule 25010 – Days/Hours

Proposed Rule 25010 sets forth the days and hours during which BSTX would be open for business and during which transactions may be effected on the BSTX System. Under the proposed rule, transactions may be executed on the BSTX System between 9:30 a.m. and 4:00 p.m. Eastern Time. The proposed rule also specifies certain holidays BSTX would be not be open (e.g., New Year's Day) and provides that the Chief Executive Officer, President, or Chief Regulatory Officer of the Exchange, or such

¹⁸³ 15 U.S.C. 78f(b)(5).

person's designee who is a senior officer of the Exchange, shall have the power to halt or suspend trading in any Securities, close some or all of BSTX's facilities, and determine the duration of any such halt, suspension, or closing, when such person deems the action necessary for the maintenance of fair and orderly markets, the protection of investors, or otherwise in the public interest.

The Exchange believes that proposed Rule 25010 is designed to protect investors and the public interest, consistent with Section 6(b)(5) of the Exchange Act,¹⁸⁴ by setting forth the days and hours that trades may be effected on the BSTX System and by providing officers of the Exchange with the authority to halt or suspend trading when such officers believe that such action is necessary or appropriate to maintain fair and orderly markets or to protect investors or in the public interest.

3. Rule 25020 – Units of Trading

Proposed Rule 25020 sets forth the minimum unit of trading on the BSTX System, which shall be one Security. The Exchange believes that proposed Rule 25020 is consistent with Section 6(b)(5) of the Exchange Act¹⁸⁵ because it fosters cooperation and coordination of persons engaged in facilitating transactions in securities by specifying the minimum unit of trading of Securities on the BSTX System. In addition, other exchanges similarly provide that the minimum unit of trading is one share for their market and/or for certain securities.¹⁸⁶

4. Rule 25030 – Minimum Price Variant

¹⁸⁴ 15 U.S.C. 78f(b)(5).

¹⁸⁵ 15 U.S.C. 78f(b)(5).

¹⁸⁶ See e.g., IEX Rule 11.180.

Proposed Rule 25030 provides the minimum price variant for Securities shall be \$0.01. The Exchange believes that proposed Rule 25030 is consistent with Section 6(b)(5) of the Exchange Act because it fosters cooperation and coordination of persons engaged in facilitating transactions in securities by specifying the minimum price variant for Securities and promotes compliance with Rule 612 of Regulation NMS.¹⁸⁷ Under Rule 612 of Regulation NMS, the Exchange is, among other things, prohibited from displaying, ranking or accepting from any person a bid or offer or order in an NMS stock in an increment smaller than \$0.01 if that bid or offer or order is priced equal to or greater than \$1.00 per share. Where a bid or offer or order is priced less than or equal to \$1.00 per share, the minimum acceptable increment is \$0.0001. Proposed Rule 25030 sets a uniform minimum price variant for all Securities of \$0.01 irrespective of whether the Security is trading below \$1.00.

5. Rule 25040 – Opening the Marketplace

Proposed Rule 25040 sets forth the opening process for the BSTX System for BSTX-listed Securities and non-BSTX-listed securities. For BSTX-listed Securities, the Exchange proposes to allow for order entry to commence at 8:30 a.m. ET during the Pre-Opening Phase. Proposed Rule 25040(a) provides that orders will not execute during the Pre-Opening Phase, which lasts until regular trading hours begin at 9:30 a.m. ET.¹⁸⁸ Similar to how the Exchange's opening process works for options trading, BSTX would disseminate a theoretical opening price ("TOP") to BSTX Participants, which is the price at which the opening match would occur at a given moment in time.¹⁸⁹ Under the

¹⁸⁷ 17 CFR 242.611.

¹⁸⁸ As a result, orders marked IOC submitted during the Pre-Opening Phase will be rejected by the BSTX System. See proposed Rule 25040(a)(7).

¹⁸⁹ The TOP can only be calculated where the BSTX Book is crossed during the Pre-

proposed rule, the Exchange will also broadcast other information during the Pre-Opening Phase. Specifically, in addition to the TOP, the Exchange would disseminate pursuant to proposed Rule 25040(a)(3): (i) “Paired Securities,” which is the quantity of Securities that would execute at the TOP; (ii) the “Imbalance Quantity,” which is the number of Securities that may not be matched with other orders at the TOP at the time of dissemination; and (iii) the “Imbalance Side,” which is the buy/sell direction of any imbalance at the time of dissemination (collectively, with the TOP, “Broadcast Information”).¹⁹⁰ Broadcast Information will be recalculated and disseminated every time a new order is received or cancelled and where such event causes the TOP or Paired Securities to change. With respect to priority during the opening match for all Securities, consistent with proposed Rule 25080 (Execution and Price/Time Priority), among multiple orders at the same price, execution priority during the opening match is determined based on the time the order was received by the BSTX System.

Consistent with the manner in which the Exchange opens options trading, the BSTX System would determine a single price at which a BSTX-listed Security will be opened by calculating the optimum number of Securities that could be matched at a price, taking into consideration all the orders on the BSTX Book.¹⁹¹ Proposed Rule 25040(a)(5) provides that the opening match price is the price which results in the matching of the highest number of Securities. If two or more prices would satisfy this maximum quantity criteria, the price leaving the fewest resting Securities in the BSTX Book will be selected

Opening Phase. See proposed Rule 25040(a)(2).

¹⁹⁰ Pursuant to proposed Rule 25040(a)(3), any orders which are at a better price (*i.e.*, bid higher or offer lower) than the TOP will be shown only as a total quantity on the BSTX Book at a price equal to the TOP.

¹⁹¹ See proposed Rule 25040(a)(4)(ii).

at the opening price and where two or more prices would satisfy the maximum quantity criteria and leave the fewest Securities in the BSTX Book, the price closest to the previous day's closing price will be selected.¹⁹² Unexecuted trading interest during the opening match will move to the BSTX Book and will preserve price time priority.¹⁹³ When the BSTX System cannot determine an opening price of a BSTX-listed Security at the start of regular trading hours, BSTX would nevertheless open the Security for trading and move all trading interest received during the Pre-Opening Phase to the BSTX Book.¹⁹⁴

For initial public offerings of Securities ("Initial Security Offerings"), the process will be generally the same as regular market openings. However, in advance of an Initial Security Offering auction ("Initial Security Offering Auction"), the Exchange shall announce a "Quote-Only Period" that shall be between fifteen (15) and thirty (30) minutes plus a short random period prior to the Initial Security Offering Auction.¹⁹⁵ The Quote-Only Period may be extended in certain cases.¹⁹⁶ As with regular market openings the Exchange would disseminate Broadcast Information at the commencement of the Quote Only Period, and Broadcast Information would be re-calculated and disseminated

¹⁹² With respect to an initial public offering of a Security where there is no previous day's closing price, the opening price will be the price assigned to the Security by the underwriter for the offering, referred to as the "Initial Security Offering Reference Price." See Proposed Rule 25040(a)(5)(ii)(3).

¹⁹³ See proposed Rule 25040(a)(6).

¹⁹⁴ Id.

¹⁹⁵ See proposed Rule 25040(b)(1).

¹⁹⁶ Such cases are when: (i) there is no TOP; (ii) the underwriter requests an extension; (iii) the TOP moves the greater of 10% or fifty (50) cents in the fifteen (15) seconds prior to the initial cross; or (iv) in the event of a technical or systems issue at the Exchange that may impair the ability of BSTX Participants to participate in the Initial Security Offering or of the Exchange to complete the Initial Security Offering. See proposed Rule 25040(b)(2).

every time a new order is received or cancelled and where such event causes the TOP price or Paired Securities to change.¹⁹⁷ In the event of any extension to the Quote-Only Period or a trading pause, the Exchange will notify market participants regarding the circumstances and length of the extension.¹⁹⁸ Orders will be matched and executed at the conclusion of the Quote-Only Period, rather than at 9:30 a.m. Eastern Time.¹⁹⁹

Following the initial cross at the end of the Quote-Only Period wherein orders will execute based on price/time priority consistent with proposed Rule 25080, the Exchange will transition to normal trading pursuant to proposed Rule 25040(a)(6).²⁰⁰

The Exchange also proposes a process for reopening trading following a Limit Up-Limit Down Halt or trading pause (“Halt Auctions”). For Halt Auctions, the Exchange proposes that in advance of reopening, the Exchange shall announce a Quote-Only Period that shall be five (5) minutes prior to the Halt Auction.²⁰¹ This Quote-Only Period may be extended in certain circumstances.²⁰² The Exchange proposes to disseminate the same

¹⁹⁷ See proposed Rule 25040(b)(3).

¹⁹⁸ See proposed Rule 25040(b)(4). The Exchange also proposes that if a trading pause is triggered by the Exchange or if the Exchange is unable to reopen trading at the end of the trading pause due to a systems or technology issue, the Exchange will immediately notify the single plan processor responsible for consolidation of information for the security pursuant to Rule 603 of Regulation NMS under the Securities Exchange Act of 1934. Id.

¹⁹⁹ See proposed Rule 25040(b)(5).

²⁰⁰ As with the regular opening process, orders marked IOC submitted during the Pre-Opening Phase of an Initial Security Offering Auction would be rejected. See proposed Rule 25040(b)(6).

²⁰¹ See proposed Rule 25040(c)(1). Orders marked IOC submitted during the Quote-Only Period would be rejected.

²⁰² See proposed Rule 25040(c)(2). The Quote-Only Period shall be extended for an additional five (5) minutes should a Halt Auction be unable to be performed due to the absence of a TOP (“Initial Extension Period”). After the Initial Extension Period, the Exchange proposes that the Quote-Only Period shall be extended for additional five (5) minute periods should a Halt Auction be unable to be performed due to absence of a TOP (“Additional Extension Period”) until a Halt Auction occurs. Under the proposed Rule, the Exchange shall attempt to conduct a Halt Auction during the course of each

Broadcast Information as it does for an Initial Security Offering Auction and would similarly provide notification of any extension to the quote-only period as with an Initial Security Offering Auction.²⁰³ The transition to normal trading would also occur in the same manner as Initial Security Offering Auctions, as described above.²⁰⁴

The Exchange also proposes to adopt certain contingency procedures in proposed Rule 25040(d) that would provide that when a disruption occurs that prevents the execution of an Initial Security Offering Auction the Exchange will publicly announce the Quote-Only Period for the Initial Security Offering Auction, and the Exchange will then cancel all orders on the BSTX Book and disseminate a new scheduled time for the Quote-Only Period and opening match.²⁰⁵ Similarly, when a disruption occurs that prevents the execution of a Halt Auction, the Exchange will publicly announce that no Halt Auction will occur, and all orders in the halted Security on the BSTX Book will be canceled after which the Exchange will open the Security for trading without an auction.²⁰⁶

The opening process with respect to non-BSTX-listed securities is set forth in proposed Rule 25040(e). Pursuant to that Rule, BSTX Participants who wish to participate in the opening process may submit orders and quotes for inclusion in the BSTX Book, but such orders and quotes cannot execute until the termination of the Pre-

Additional Extension Period. Id.

²⁰³ See proposed Rule 25040(c)(3)-(5).

²⁰⁴ Id.

²⁰⁵ See proposed Rule 25040(d)(1).

²⁰⁶ See proposed Rule 25040(d)(2). The Exchange notes that these contingency procedures are substantially similar to those of another exchange (see e.g., IEX Rule 11.350(c)(4)) and are designed to ensure that the Exchange has appropriate mechanisms in place to address possible disruptions that may arise in an Initial Security Offering Auction or Halt Auction, consistent with the protection of investors and the public interest pursuant to Section 6(b)(5) of the Exchange Act. 15 U.S.C. 78f(b)(5).

Opening Phase (“Opening Process”). Orders that are canceled before the Opening Process will not participate in the Opening Process. The Exchange will attempt to perform the Opening Process and will match buy and sell orders that are executable at the midpoint of the NBBO.²⁰⁷ Generally, the price of the Opening Process will be at the midpoint of the first NBBO subsequent to the first two-sided quotation published by the listing exchange after 9:30:00 a.m. Eastern Time. Pursuant to proposed Rule 25040(e)(4), if the conditions to establish the price of the Opening Process set forth above do not occur by 9:45:00 a.m. Eastern Time, orders will be handled in time sequence, beginning with the order with the oldest time stamp, and will be placed on the BSTX Book cancelled, or executed in accordance with the terms of the order. A similar process will occur for re-opening a non-BSTX-listed security subject to a halt.²⁰⁸ The proposed opening process for Securities listed on another exchange serves as a placeholder in anticipation of other exchanges eventually listing and trading Securities, or the equivalent thereof, given that there are no other exchanges currently trading Securities. The proposed process for opening Securities listed on another exchange is similar to existing exchange rules governing the opening of trading of a security listed on another exchange.²⁰⁹

Consistent with Section 6(b)(5) of the Exchange Act,²¹⁰ the Exchange believes that the proposed process for opening trading in BSTX-listed Securities and Securities listed on other exchanges will promote just and equitable principles of trade and will help perfect the mechanism of a free and open market by establishing a uniform process to

²⁰⁷ See proposed Rule 25040(e)(2).

²⁰⁸ See proposed Rule 25040(e)(5).

²⁰⁹ See e.g., Cboe BZX Rule 11.24.

²¹⁰ 15 U.S.C. 78f(b)(5).

determine the opening price of Securities.²¹¹ Proposed Rule 25040 provides a mechanism by which BSTX Participants may submit orders in advance of the start of regular trading hours, perform an opening cross, and commence regular hours trading in Securities listed on BSTX or otherwise. Where an opening cross is not possible in a BSTX-listed Security, the Exchange will proceed by opening regular hours trading in the Security anyway, which is consistent with the manner in which other exchanges open trading in securities.²¹² With respect to initial public offerings of Securities and openings after a Limit Up-Limit Down halt or trading pause, BSTX proposes to use a process with features similar to its normal opening process. There are a variety of different ways in which an exchange can open trading in securities, including with respect to an initial public offering of a Security, and the Exchange believes that proposed Rule 25040 provides a simple and clear method for opening transactions that is consistent with the protection of investors and the public interest.²¹³ Additionally, proposed Rule 25040

²¹¹ The Exchange has not proposed to operate a closing auction at this time. As a result, the closing price of a Security on BSTX would be the last regular way transaction occurring on BSTX, which the Exchange believes is a simple and fair way to establish the closing price of a Security that does not permit unfair discrimination among customers, issuers, or broker-dealers consistent with Section 6(b)(5) of the Exchange Act. Id. This proposed process is consistent with the overall proposed simplified market structure for BSTX, which does not include a variety of order types offered by other exchanges such as market-on-close and limit-on-close orders. The Exchange believes that a simplified market structure, including the proposed manner in which a closing price would be determined, promotes the public interest and the protection of investors consistent with Section 6(b)(5) of the Exchange Act through reduced complexity. Id.

²¹² See e.g., BOX Rule 7070.

²¹³ The Exchange notes that its proposed opening, Initial Security Offering Auction, and Halt Auction processes are substantially similar to those of another exchange. See Cboe BZX Rule 11.23. The key differences between the Exchange's proposed processes and those of the Cboe BZX exchange are that the Exchange has substantially fewer order types, which make its opening process less complex, and that the Exchange does not propose to use order auction collars to limit the price at which a Security opens. The Exchange does not believe that auction collars are necessary at this time because there are a variety of other mechanisms in place to prevent erroneous orders and the execution of

applies to all BSTX Participants in the same manner and is therefore not designed to permit unfair discrimination among BSTX Participants.

6. Rule 25050 – Trading Halts

BSTX proposes to adopt rules relating to trading halts²¹⁴ that are substantially similar to other exchange rules adopted in connection with the NMS Plan to Address Extraordinary Market Volatility (“LULD Plan”), with certain exceptions that reflect Exchange functionality. BSTX intends to join the LULD Plan prior to the commencement of trading Securities. Below is an explanation of BSTX’s approach to certain categories of orders during a trading halt:

- Short Sales – BSTX cancels all orders on the book during a halt and rejects any new orders, so rules relating to the repricing of short sale orders during a trading halt that certain other exchanges have adopted have been omitted.
- Pegged Orders – BSTX would not support pegged orders, at least initially, so rules relating to pegged orders during a trading halt have been omitted.
- Routable Orders – Pursuant to proposed Rule 25130, the BSTX System will reject any order or quotation that would lock or cross a protected quotation of another exchange (rather than routing such order or quotation), and therefore rules relating to handling of routable orders during a trading halt have been omitted.
- Limit Orders – Because BSTX would cancel resting order interest and reject incoming orders during a trading halt, specific rules relating to the repricing

an opening cross at an erroneous price (e.g., market access controls pursuant to Rule 15c3-5 and the ability of an underwriter to request an extension to the Quote-Only Period in an Initial Security Offering Auction).

²¹⁴ The Exchange notes that rules on opening trading for non-BSTX-listed security are set forth in proposed Rule 25040(e).

of limit-priced interest that certain other exchanges have adopted have been omitted.²¹⁵

- Auction Orders, Market Orders, and FOK Orders – BSTX would not support these order types, at least initially, so rules relating to these order types during a trading halt have been omitted.²¹⁶

Pursuant to proposed Rule 25050(d), the Exchange would cancel all resting orders in a non-BSTX listed security subject to a trading halt, reject any incoming orders in that Security, and will only resume accepting orders following a broadcast message to BSTX Participants indicating a forthcoming re-opening of trading.²¹⁷

BSTX believes that it is in the public interest and furthers the protection of investors, consistent with Section 6(b)(5) of the Exchange Act²¹⁸ to provide for a mechanism to halt trading in Securities during periods of extraordinary market volatility consistent with the LULD Plan. However, the Exchange has excluded rules relating to order types and other aspects of the LULD Plan that would not be supported by the Exchange, such as market orders and auction orders. The Exchange has also reserved the right in proposed Rule 25050(f) to halt or suspend trading in other circumstances where the Exchange deems it necessary to do so for the protection of investors and in the furtherance of the public interest.

The Exchange believes that canceling resting order interest during a trading halt and rejecting incoming orders received during the trading halt is consistent with Section

²¹⁵ See e.g., Cboe BZX 11.18(e)(5)(B).

²¹⁶ IOC orders will be handled pursuant to proposed Rule 25050(g)(5).

²¹⁷ Trading would resume pursuant to proposed Rule 25040(e)(5). See proposed Rule 25050(g)(7).

²¹⁸ 15 U.S.C. 78f(b)(5).

6(b)(5) of the Exchange Act²¹⁹ because it is not designed to permit unfair discrimination among BSTX Participants. The orders and trading interest of all BSTX Participants would be canceled in the event of a trading halt and each BSTX Participant would be required to resubmit any orders they had resting on the order book.

7. Rule 25060 – Order Entry

Proposed Rule 25060 sets forth the manner in which BSTX Participants may enter orders to the BSTX System. The BSTX System would initially only support limit orders.²²⁰ Orders that do not designate a limit price would be rejected.²²¹ The BSTX System would also only support two time-in-force (“TIF”) designations initially: (i) DAY; and (ii) immediate or cancel (“IOC”). DAY orders will queue during the Pre-Opening Phase, may trade during regular market hours, and, if unexecuted at the close of the trading day (4:00 p.m. ET), are canceled by the BSTX System.²²² All orders are given a default TIF of DAY. BSTX Participants may also designate orders as IOC, which designation overrides the default TIF of DAY. IOC orders are not accepted by the BSTX System during the Pre-Opening Phase. During regular trading hours, IOC orders will execute in whole or in part immediately upon receipt by the BSTX System. The BSTX System will not support modification of resting orders. To change the price or quantity of an order resting on the BSTX Book, a BSTX Participant must cancel the resting order and submit a new order, which will result in a new time stamp for purposes of BSTX Book priority.

²¹⁹ Id.

²²⁰ The BSTX System will also accept incoming Intermarket Sweep Orders (“ISO”) pursuant to proposed Rule 25060(c)(2). ISOs must be limit orders, are ineligible for routing, may be submitted with a limit price during Regular Trading Hours, and must have a time-in-force of IOC. Proposed Rule 25060(c)(2) is substantially similar to rules of other national securities exchanges. See e.g., Cboe BZX Rule 11.9(d).

²²¹ Proposed Rule 25060(c)(1).

²²² Proposed Rule 25060(d)(1).

In addition, all orders on BSTX will be displayed, and the BSTX System will not support hidden orders or undisplayed liquidity, as set forth in proposed Rule 25100.

Consistent with Section 6(b)(5) of the Exchange Act,²²³ the Exchange believes that the proposed order entry rules will promote just and equitable principles of trade and help perfect the mechanism of a free and open market by establishing the types of orders and modifiers that all BSTX Participants may use in entering orders to the BSTX System. Because these order types and TIFs are available to all BSTX Participants, the proposed rule does not unfairly discriminate among market participants, consistent with Section 6(b)(5) of the Exchange Act. The proposed rule sets forth a very simple exchange model whereby there is only one order type—limit orders—and two TIFs. Upon the initial launch of BSTX, there will be no hidden orders, price sliding, pegged orders, or other order type features that add complexity. The Exchange believes that creating a simplified exchange model is designed to protect investors and is in the public interest because it reduces complexity, thereby helping market participants better understand how orders would operate on the BSTX System.

8. Rule 25070 – Audit Trail

Proposed Rule 25070 (Audit Trail) is designed to ensure that BSTX Participants provide the Exchange with information to be able to identify the source of a particular order and other information necessary to carry out the Exchange's oversight functions. The proposed rule is substantially similar to existing BOX Rule 7120 but eliminates certain information unique to orders for options contracts (e.g., exercise price) because Securities are equity securities. The proposed rule also provides that BSTX Participants that employ an electronic order routing or order management system that complies with

²²³ 15 U.S.C. 78f(b)(5).

Exchange requirements will be deemed to comply with the Rule if the required information is recorded in an electronic format. The proposed rule also specifies that order information must be kept for no less than three years and that where specific customer or account number information is not provided to the Exchange, BSTX Participants must maintain such information on their books and records.

The Exchange believes that proposed Rule 25070 is designed to protect investors and the public interest, consistent with Section 6(b)(5) of the Exchange Act,²²⁴ because it will provide the Exchange with information necessary to carry out its oversight role. Without being able to identify the source and terms of a particular order, the Exchange's ability to adequately surveil its market, with or through another SRO, for trading inconsistent with applicable regulatory requirements would be impeded. In order to promote compliance with Rule 201 of Regulation SHO, proposed Rule 25080(b)(3) provides that when a short sale price test restriction is in effect, the execution price of the short sale order must be higher than (i.e., above) the best bid, unless the sell order is marked "short exempt" pursuant to Regulation SHO.

9. Rule 25080 – Execution and Price Time Priority

Proposed Rule 25080 governs the execution of orders on the BSTX System, providing a price-time priority model. The proposed rule provides that orders of BSTX Participants shall be ranked and maintained in the BSTX Book according to price-time priority, such that within each price level, all orders shall be organized by the time of entry. The proposed rule further provides that sell orders may not execute a price below the best bid in the marketplace and buy orders cannot execute at a price above the best offer in the marketplace. Further, the proposed rule ensures compliance with Regulation

²²⁴ 15 U.S.C. 78f(b)(5).

SHO, Regulation NMS, and the LULD Plan, in a manner consistent with the rulebooks of other national securities exchanges.²²⁵

The Exchange believes that proposed Rule 25080 is consistent with Section 6(b)(5) of the Exchange Act²²⁶ because it is designed to promote just and equitable principles of trade and foster cooperation and coordination with persons facilitating transactions in securities by setting forth the order execution priority scheme for Security transactions. Numerous other exchanges similarly operate a price-time priority structure for effecting transactions. The proposed rule also does not permit unfair discrimination among BSTX Participants because all BSTX Participants are subject to the same price-time priority structure. In addition, the Exchange believes that specifying in proposed Rule 25080(b)(3) that execution of short sale orders when a short sale price test restriction is in effect must occur at a price above the best bid unless the order is market “short exempt,” is consistent with the Exchange Act because it is intended promote compliance with Regulation SHO in furtherance of the protection of investors and the public interest.

10. Rule 25090 – BSTX Risk Controls

Proposed Rule 25090 sets forth certain risk controls applicable to orders submitted to the BSTX System. The proposed risk controls are designed to prevent the submission and execution of potentially erroneous orders. Under the proposed rule, the BSTX System will reject orders that exceed a maximum order size, as designated by each BSTX Participant. The Exchange, however may set default values for this control. The proposed rule also provides a means by which all of a BSTX Participant’s orders will be canceled in the event that the BSTX Participant loses its connection to the BSTX System.

²²⁵ See e.g., Cboe BZX Rule 11.13(a)(2)-(3) governing regular trading hours.

²²⁶ 15 U.S.C. 78f(b)(5).

Proposed Rule 25090(c) provides a risk control that prevents incoming limit orders from being accepted by the BSTX System if the order's price is more than a designated percentage away from the National Best Bid or Offer in the marketplace. Proposed Rule 25090(d) provides a maximum order rate control whereby the BSTX System will reject an incoming order if the rate of orders received by the BSTX System exceeds a designated threshold. With respect to both of these risk controls (price protection for limit orders and maximum order rate), BSTX Participants may designate the appropriate thresholds, but the Exchange may also provide default values and mandatory minimum levels.

The Exchange believes the proposed risk controls in Rule 25090 are consistent with Section 6(b)(5) of the Exchange Act²²⁷ because they are designed to help prevent the execution of potentially erroneous orders, which furthers the protection of investors and the public interest. Among other things, erroneous orders can be disruptive to the operation of an exchange marketplace, can lead to temporary price dislocations, and can hinder price formation. The Exchange believes that offering configurable risk controls to BSTX Participants, along with default values where a BSTX Participant has not designated its desired controls, will protect investors by reducing the number of erroneous executions on the BSTX System and will remove impediments to and perfect the mechanism of a free and open market system. The proposed risk controls are also similar to existing risk controls provided by the Exchange to Options Participants.

11. Rule 25100 – Trade Execution, Reporting, and Dissemination of Quotations

²²⁷ 15 U.S.C. 78f(b)(5).

Proposed Rule 25100 provides that the Exchange shall collect and disseminate last sale information for transactions executed on the BSTX system. The proposed rule further provides that the aggregate of the best-ranked non-marketable Limit Order(s), pursuant to Rule 25080, to buy and the best-ranked non-marketable Limit Order(s) to sell in the BSTX Book shall be collected and made available to quotation vendors for dissemination. Proposed Rule 25100 further provides that the BSTX System will operate as an “automated market center” within the meaning of Regulation NMS and will display “automated quotations” at all times except in the event of a system malfunction.²²⁸ In addition, the proposed Rule specifies that the Exchange shall identify all trades executed pursuant to an exception or an exemption of Regulation NMS. The Exchange will disseminate last sale and quotation information pursuant to Rule 602 of Regulation NMS and will maintain connectivity to the securities information processors for dissemination of quotation information.²²⁹ BSTX Participants may obtain access to this information through the securities information processors.

Proposed Rule 25100(d) provides that executions that occur as a result of orders matched against the BSTX Book, pursuant to Rule 25080, shall clear and settle pursuant to the rules, policies, and procedures of a registered clearing agency. Rule 25100(e) obliges BSTX Participants, or a clearing member/participant clearing on behalf of a BSTX Participant to honor trades effected on the BSTX System on the scheduled

²²⁸ 17 CFR 242.600(b)(4) and (5). The general purpose of an exchange being deemed an “automated trading center” displaying “automated quotations” relates to whether or not an exchange’s quotations may be considered protected under Regulation NMS. See Exchange Act Release No. 51808, 70 FR 37495, 37520 (June 29, 2005). Other trading centers may not effect transactions that would trade through a protected quotation of another trading center. The Exchange believes that it is useful to specify that it will operate as an automated trading center at this time to make clear to market participants that it is not operating a manual market with respect to Securities.

²²⁹ 17 CFR 242.602.

settlement date, and the Exchange shall not be liable for the failure of BSTX Participants to satisfy these obligations.²³⁰

The Exchange believes that proposed Rule 25100 is consistent with Section 6(b)(5) of the Exchange Act²³¹ because it will foster cooperation and coordination with persons processing information with respect to, and facilitating transactions in securities by requiring the Exchange to collect and disseminate quotation and last sale transaction information to market participants. BSTX Participants will need last sale and quotation information to effectively trade on the BSTX System, and proposed Rule 25100 sets forth the requirement for the Exchange to provide this information as well as the information to be provided. The proposed rule is similar to rules of other exchanges relating to the dissemination of last sale and quotation information. The Exchange believes that requiring BSTX Participants (or firms clearing trades on behalf of other BSTX Participants) to honor their trade obligations on the settlement date is consistent with the Exchange Act because it will foster cooperation with persons engaged in clearing and settling transactions in Securities, consistent with Section 6(b)(5) of the Exchange Act.²³²

12. Rule 25110 – Clearly Erroneous

Proposed Rule 25110 sets forth the manner in which BSTX will resolve clearly erroneous executions that might occur on the BSTX System and is substantially similar to comparable clearly erroneous rules on other exchanges. Under proposed Rule 25100, transactions that involve an obvious error such as price or quantity, may be canceled after review and a determination by an officer of BSTX or such other employee designee of

²³⁰ These proposed provisions are substantially similar to those of exchanges. See e.g., Nasdaq Rule 4627 and IEX Rule 10.250.

²³¹ 15 U.S.C. 78f(b)(5).

²³² Id.

BSTX (“Official”).²³³ BSTX Participants that believe they submitted an order erroneously to the Exchange may request a review of the transaction, and must do so within thirty (30) minutes of execution and provide certain information, including the factual basis for believing that the trade is clearly erroneous, to the Official.²³⁴ Under proposed Rule 25100(c), an Official may determine that a transaction is clearly erroneous if the price of the transaction to buy (sell) that is the subject of the complaint is greater than (less than) the “Reference Price”²³⁵ by an amount that equals or exceeds specified “Numerical Guidelines.”²³⁶ The Official may consider additional factors in determining whether a transaction is clearly erroneous, such as whether trading in the security had recently halted or overall market conditions.²³⁷ Similar to other exchanges’ clearly erroneous rules, the Exchange may determine that trades are clearly erroneous in certain circumstances such as during a system disruption or malfunction, on a BSTX Officer’s (or senior employee designee) own motion, during a trading halt, or with respect to a

²³³ A transaction made in clearly erroneous error and canceled by both parties or determined by the Exchange to be clearly erroneous will be removed from the Consolidated Tape. Proposed Rule 25110(a).

²³⁴ Proposed Rule 25110(b). The Official may also consider certain “outlier” transactions on a case by case basis where the request for review is submitted after 30 minutes but no longer than sixty (60) minutes after the transaction. Proposed Rule 2511(d).

²³⁵ The Reference Price will be equal to the consolidated last sale immediately prior to the execution(s) under review except for in circumstances, such as, for example, relevant news impacting a security or securities, periods of extreme market volatility, sustained illiquidity, or widespread system issues, where use of a different Reference Price is necessary for the maintenance of a fair and orderly market and the protection of investors and the public interest. Proposed Rule 25110(c)(1).

²³⁶ The proposed Numerical Guidelines are 10% where the Reference Price ranges from \$0.00 to \$25.00, 5% where the Reference Price is greater than \$25.00 up to and including \$50.00, and 3% where the Reference Price ranges is greater than \$50. Proposed Rule 25110(c)(1).

²³⁷ Proposed Rule 25110(c)(1).

series of transactions over multiple days.²³⁸ Under proposed Rule 25110(e)(2), BSTX Participants affected by a determination by an Official may appeal this decision to the Chief Regulatory Officer of BSTX, provided such appeal is made within thirty (30) minutes after the party making the appeal is given notice of the initial determination being appealed.²³⁹ The Chief Regulatory Officer's determination shall constitute final action by the Exchange on the matter at issue pursuant to proposed Rule 25110(e)(2)(ii).

The Exchange believes that proposed Rule 25110 is consistent with Section 6(b)(5) of the Exchange Act,²⁴⁰ because it would promote just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system by setting forth the process by which clearly erroneous trades on the BSTX System may be identified and remedied. Proposed Rule 25110 would apply equally to all BSTX Participants and is therefore not designed to permit unfair discrimination among BSTX Participants, consistent with Section 6(b)(5) of the Exchange Act.²⁴¹ The proposed rule is substantially similar to the clearly erroneous rules of other exchanges.²⁴² For example, proposed Rule 25110 does not include provisions

²³⁸ See proposed Rule 25110(f) – (j). These provisions are virtually identical to similar provisions of other exchanges' clearly erroneous rules other than by making certain administrative edits (e.g., replacing the term "security" with "Security").

²³⁹ Determinations by an Official pursuant to proposed Rule 25110(f) relating to system disruptions or malfunctions may not be appealed if the Official made a determination that the nullification of transactions was necessary for the maintenance of a fair and orderly market or the protection of investors and the public interest. Proposed Rule 25110(d)(2).

²⁴⁰ 15 U.S.C. 78f(b)(5).

²⁴¹ Id.

²⁴² See e.g., Cboe BZX Rule 11.17. Similar to other exchanges' comparable rules, proposed Rule 25110 provides BSTX with the ability to determine clearly erroneous trades that result from a system disruption or malfunction, a BSTX Official acting on his or her own motion, trading halts, multi-day trading events, multi-stock events involving five or more (but less than twenty) securities whose executions occurred within a period of five minutes or less, multi-stock events involving twenty or more securities whose

related to clearly erroneous transactions for routed orders because orders for Securities will not route to other exchanges.²⁴³ Securities would also only trade during regular trading hours (i.e., 9:30 a.m. ET to 4:00 p.m. ET), so provisions from comparable exchange rules relating to clearly erroneous executions occurring outside of regular trading hours have been excluded. Proposed Rule 25110 also excludes provisions from comparable clearly erroneous rules of certain other exchanges relating to clearly erroneous executions in: (i) Leverage ETF/ETNs; and (ii) unlisted trading privileges securities that are subject to an initial public offering.²⁴⁴

The Exchange believes that its proposed process for BSTX Participants to appeal clearly erroneous execution determinations made by an Exchange Official pursuant to proposed Rule 25110 to the Chief Regulatory Officer of BSTX is consistent with Section 6(b)(5) of the Exchange Act²⁴⁵ because it promotes just and equitable principles of trade and fosters cooperation and coordination with persons regulating, settling, and facilitating transactions in securities by providing a clear and expedient process to appeal determinations made by an Official. BSTX Participants benefit from having a quick resolution to potentially clearly erroneous executions and giving the Chief Regulatory

executions occurred within a period of five minutes or less, and securities subject to the LULD Plan.

²⁴³ Other exchange clearly erroneous rules reference removing trades from the Consolidated Tape. Because Security transactions will be reported pursuant to a separate transaction reporting plan, proposed Rule 25110 eliminates references to the “Consolidated Tape” and provides that clearly erroneous Security transactions will be removed from “all relevant data feeds disseminating last sale information for Security transactions.” See proposed Rule 25110(a).

²⁴⁴ The Exchange notes that not all equities exchanges have a provision with respect to trade nullification for UTP securities that are the subject of an initial public offering. See IEX Rule 11.270. With respect to leveraged ETFs/ETNs, the Exchange does not expect to support trading of such products at this time, so the Exchange does not believe it is necessary to include provisions related to them.

²⁴⁵ 15 U.S.C. 78f(b)(5).

Officer discretion to decide any appeals of an Official's determination provides an efficient means to resolve potential appeals that applies equally to all BSTX Participants and therefore does not permit unfair discrimination among BSTX Participants, consistent with Section 6(b)(5) of the Exchange Act. The Exchange notes that, with respect to options trading on the Exchange, the Exchange's Chief Regulatory Officer similarly has sole authority to overturn or modify obvious error determinations made by an Exchange Official and that such determination constitutes final Exchange action on the matter at issue.²⁴⁶ In addition, proposed Rule 25110(e)(2)(iii) provides that any determination made by an Official or the Chief Regulatory Officer of BSTX under proposed Rule 25110 shall be rendered without prejudice as to the rights of the parties to the transaction to submit their dispute to arbitration. Accordingly, there is an additional safeguard in place for BSTX Participants to seek further review of the Exchange's clearly erroneous determination.

To the extent Securities become tradeable on other national securities exchanges or other changes arise that may necessitate changes to proposed Rule 25110 to conform more closely with the clearly erroneous execution rules of other exchanges, the Exchange intends to implement changes as necessary through a proposed rule change filed with the Commission pursuant to Section 19 of the Exchange Act²⁴⁷ at such future date.

13. Rule 25120 – Short Sales

Proposed Rule 25120 sets forth certain requirements with respect to short sale orders submitted to the BSTX System that is virtually identical to similar rules on other

²⁴⁶ See BOX Rule 7170(n).

²⁴⁷ 15 U.S.C. 78s.

exchanges.²⁴⁸ Specifically, proposed Rule 25120 requires BSTX Participants to appropriately mark orders as long, short, or short exempt and provides that the BSTX System will not execute or display a short sale order not marked short exempt with respect to a “covered security”²⁴⁹ at a price that is less than or equal to the current national best bid if the price of that security decreases by 10% or more, as determined by the listing market for the covered security, from the covered security’s closing price on the listing market as of the end of Regular Trading Hours on the prior day (the “Trigger Price”). The proposed rule further specifies the duration of the “Short Sale Price Test” and that the BSTX System shall determine whether a transaction in a covered security has occurred at a Trigger Price and shall immediately notify the responsible single plan processor.²⁵⁰

The Exchange believes that proposed Rule 25120 is consistent with Section 6(b)(5) of the Exchange Act,²⁵¹ because it would promote just and equitable principles of trade and further the protection of investors and the public interest by enforcing rules consistent with Regulation SHO. Pursuant to Regulation SHO, broker-dealers are required to appropriately mark orders as long, short, or short exempt,²⁵² and trading centers are required to establish, maintain, and enforce written policies and procedures reasonably designed to, among other things, prevent the execution or display of a short sale order of

²⁴⁸ See e.g., IEX Rule 11.290.

²⁴⁹ Proposed Rule 25120(b) provides that the terms “covered security,” “listing market,” and “national best bid” shall have the same meaning as in Rule 201 of Regulation SHO. 17 CFR 242.201(a).

²⁵⁰ Proposed Rule 25120(d). The proposed rule further provides in paragraph (d)(1) that if a covered security did not trade on BSTX on the prior trading day, BSTX’s determination of the Trigger Price shall be based on the last sale price on the BSTX System for that Security on the most recent day on which the Security traded.

²⁵¹ 15 U.S.C. 78f(b)(5).

²⁵² 17 CFR 242.200(g).

a covered security at a price that is less than or equal to the current national best bid if the price of that covered security decreases by 10% or more from its closing price on the primary listing market on the prior day.²⁵³ Proposed Rule 25120 is designed to promote compliance with Regulation SHO, is nearly identical to similar rules of other exchanges, and would apply equally to all BSTX Participants.

14. Rule 25130 – Locking or Crossing Quotations in NMS Stocks

Proposed Rule 25130 sets forth provisions related to locking or crossing quotations. The proposed rule is substantially similar to the rules of other national securities exchanges.²⁵⁴ Proposed Rule 25130 is designed to promote compliance with Regulation NMS and prohibits BSTX participants from engaging in a pattern or practice of displaying quotations that lock or cross a protected quotation unless an exception applies. The Exchange notes that there may be no other national securities exchanges trading Securities upon the launch of BSTX that may be displaying protected quotations. Notwithstanding that there may be no other away markets displaying a protected quotation when trading on BSTX commences, the Exchange proposes in Rule 25130(d) that the BSTX System will reject any order or quotation that would lock or cross a protected quotation of another exchange at the time of entry.

The Exchange believes proposed Rule 25130 is consistent with Section 6(b)(5) of the Exchange Act²⁵⁵ because it is designed to promote just and equitable principles of trade and foster cooperation and coordination with persons facilitating transactions in

²⁵³ 17 CFR 242.201(b)(1).

²⁵⁴ See IEX Rule 25130.

²⁵⁵ 15 U.S.C. 78f(b)(5).

securities by ensuring that the Exchange prevents display of quotations that lock or cross any protected quotation in an NMS stock, in compliance with applicable provisions of Regulation NMS.

15. Rule 25140 – Clearance and Settlement: Anonymity

Proposed Rule 25140 provides that each BSTX Participant must either (1) be a member of a registered clearing agency that uses a CNS system, or (2) clear transactions executed on the Exchange through another Participant that is a member of such a registered clearing agency. The Exchange would maintain connectivity and access to the UTC of NSCC for transmission of executed transactions. The proposed Rule requires a Participant that clears through another participant to obtain a written agreement, in a form acceptable to the Exchange, that sets out the terms of such arrangement. The proposed Rule also provides that BSTX transaction reports shall not reveal contra party identities and that transactions would be settled and cleared anonymously. In certain circumstances, such as for regulatory purposes, the Exchange may reveal the identity of a Participant or its clearing firm such as to comply with a court order.

The Exchange believes that proposed Rule 25140 is consistent with Section 6(b)(5) of the Exchange Act²⁵⁶ because it would foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities. Proposed Rule 25140 is similar to rules of other exchanges relating to clearance and settlement.²⁵⁷

J. Market Making on BSTX (Rule 25200 Series)

²⁵⁶ 15 U.S.C. 78f(b)(5).

²⁵⁷ See e.g. IEX Rule 11.250.

The BSTX Market Making Rules (Rules 25200 – 25240) provide for registration and describe the obligations of Market Makers on the Exchange. The proposed Market Making Rules also provide for registration and obligations of Designated Market Makers (“DMMs”) in a given Security, allocation of a DMM to a particular Security, and parameters for business combinations of DMMs.

Proposed Rule 25200 sets forth the basic registration requirement for a BSTX Market Maker by noting that a Market Maker must enter a registration request to BSTX and that such registration shall become effective on the next trading day after the registration is entered, or, in the Exchange’s discretion, the registration may become effective the day that it is entered (and the Exchange will provide notice to the Market Maker in such cases). The proposed Rule further provides that a BSTX Market Maker’s registration shall be terminated by the Exchange if the Market Maker fails to enter quotations within five business days after the registration becomes effective.²⁵⁸

Proposed Rule 25210 sets forth the obligations of Market Makers, including DMMs. Under the proposed Rule, a BSTX Participant that is a Market Maker, including a DMM, is generally required to post two-sided quotes during the regular market session for each Security in which it is registered as a Market Maker.²⁵⁹ The Exchange proposes that such quotes must be entered within a certain percentage, called the “Designated Percentage,” of the National Best Bid (Offer) price in such Security (or last sale price, in the event there is no National Best Bid (Offer)) on the Exchange.²⁶⁰ The Exchange proposes that

²⁵⁸ Proposed Rule 25200 is substantially similar to IEX Rule 11.150.

²⁵⁹ See proposed Rule 25210(a)(1).

²⁶⁰ See proposed Rule 25210(a)(1)(ii)(A).

the Designated Percentage would be 30%.²⁶¹ The Exchange notes that the proposed Designated Percentage is substantially similar to the corresponding Designated Percentage for NYSE American market makers with respect to Tier 2 NMS stocks (as defined under the LULD plan).²⁶² The Exchange believes that the proposed Designated Percentage for quotation obligations of Market Makers would be sufficient to ensure that there is adequate liquidity sufficiently close to the National Best Bid or Offer (“NBBO”) in Securities and to ensure fair and orderly markets. The Exchange notes that pursuant to proposed Rule 25210(a)(1)(iii), there is nothing to preclude a Market Maker from entering trading interest at price levels that are closer to the NBBO, so Market Makers have the ability to quote must closer to the NBBO than required by the Designated Percentage requirement if they so choose.

The Exchange proposes in Rule 25210(a)(4) that, in the event that price movements cause a Market Maker or DMM’s quotations to fall outside of the National Best Bid (Offer) (or last sale price in the event there is no National Best Bid (Offer)) by a given percentage, with such percentage called the “Defined Limit,” in a Security for which they are a Market Maker, the Market Maker or DMM must enter a new bid or offer at not more than the Designated Percentage away from the National Best Bid (Offer) in that Security. The Exchange proposes that the Defined Limit shall be 31.5%.²⁶³ Under the proposed Rules, a Market Maker’s quotations must be firm and automatically executable for their size, and, to the extent the Exchange finds that a Market Maker has a substantial

²⁶¹ See proposed Rule 25210(a)(1)(ii)(B).

²⁶² See NYSE American Rule 7.23E(a)(1)(B)(iii) (providing that, other than during certain time periods around the market open and close, the Designated Percentage for Tier 2 NMS stocks priced below \$1.00 is 30% and for Tier 2 NMS stocks priced above \$1.00 is 28%).

²⁶³ See proposed Rule 25210(a)(1)(ii)(3).

or continued failure to meet its quotation obligations, such Market Maker may face disciplinary action from the Exchange.²⁶⁴ Under the proposed Market Maker and DMM Rules, Market Makers and DMMs' two-sided quotation obligations must be maintained for a quantity of a "normal unit of trading" which is defined as one Security.²⁶⁵ The Exchange believes that Securities may initially trade in smaller increments relative to other listed equities and that reducing the two-sided quoting increment from one round lot (i.e., 100 shares) to one Security will be sufficient to meet liquidity demands and would make it easier for Market Makers and DMMs to meet their quotation obligations, which in turn incentivize more Market Maker participation.

The Exchange notes that proposed Rule 25210 is substantially similar to NYSE American Rule 7.23E, with the exceptions of: (i) the modified normal unit of trading, Designated Percentage, and Defined Limit (as discussed above); (ii) specifying that the minimum quotation increment shall be \$0.01; and (iii) specifying that Market Maker quotations must be firm for their displayed size and automatically executable. The Exchange believes that the additional specifications with respect to the minimum quotation increment and firm quotation requirement will add additional clarity to the expectations of Market Makers on the Exchange.

Proposed Rule 25220 sets forth the registration requirements for a DMM. Under proposed Rule 25220, a DMM must be a registered Market Maker and be approved as a DMM in order to receive an allocation of Securities pursuant to proposed Rule 25230,

²⁶⁴ See proposed Rule 25210(b) and (c). Pursuant to proposed Rule 25310(d), a BSTX Market Maker, other than a DMM, may apply for a temporary withdrawal from its Market Maker status provided it meets certain conditions such as demonstrating legal or regulatory requirements that necessitate its temporary withdrawal.

²⁶⁵ See proposed Rule 25210(a)(1).

which is described below.²⁶⁶ For Securities in which a Participant serves as a DMM, it must meet the same obligations as if it were a Market Maker and must also maintain a bid or offer at the National Best Bid and Offer at least 25% of the day measured across all Securities in which such Participant serves as DMM.²⁶⁷ The proposed Rule provides, among other things, that there will be no more than one DMM per Security and that a DMM must maintain information barriers between the trading unit operating as a DMM and the trading unit operating as a BSTX Market Maker in the same Security (to the extent applicable).²⁶⁸ The Rule further provides a process by which a DMM may temporarily withdraw from its DMM status, which is similar to the same process for a BSTX Market Maker²⁶⁹ and similar to the same process for DMMs on other exchanges.²⁷⁰ The Exchange notes that proposed Rule 25220 is substantially similar to NYSE American Rule 7.24E with the exception that the Exchange proposes to add a provision stating that the Exchange is not required to assign a DMM if the Security has an adequate number of BSTX Market Makers assigned to such Security. The purpose of this requirement is to acknowledge the possibility that a Security need not necessarily have a DMM provided that each Security has been assigned at least three active Market Makers at initial listing and two Market Makers for continued listing, consistent with proposed Rule 26106 (Market Maker Requirement), which is discussed further below.

In proposed Rule 25230, the Exchange proposes to set forth the process by which a DMMs are allocated and reallocated responsibility for a particular Security. Proposed

²⁶⁶ See proposed 25220(b). DMMs would be approved by the Exchange pursuant to an application process an

²⁶⁷ See proposed Rule 25220(c).

²⁶⁸ See proposed Rule 25220(b).

²⁶⁹ See proposed Rule 25210(d).

²⁷⁰ See e.g., NYSE American Rule 7.24E(b)(4).

Rule 25230(a) sets forth the basic eligibility criteria for a when a Security may be allocated to a DMM, providing that this may occur when the Security is initially listed on BSTX, when it is reassigned pursuant to Rule 25230, or when it is currently listed without a DMM assigned to the Security.²⁷¹ Proposed Rule 2530(a) also specifies that a DMM's eligibility to participate in the allocation process is determined at the time the interview is scheduled by the Exchange and specifies that a DMM must meet with the quotation requirements set forth in proposed Rule 25220(c) (DMM obligations). The proposed Rule further specifies how the Exchange will handle several situations in which the DMM does not meet its obligations, such as, for example, by issuing an initial warning advising of poor performance if the DMM fails to meet its obligations for a one-month period.²⁷²

Proposed Rule 25230(b) sets forth the manner in which a DMM may be selected and allocated a Security. Under proposed Rule 25230(b), an issuer may select its DMM directly, delegate the authority to the Exchange to select its DMM, or may opt to proceed with listing without a DMM, in which case a minimum of three non-DMM Market Makers at initial listing and two non-DMM Market Makers for continued listing must be assigned to its Security consistent with proposed Rule 26106. Proposed Rule 25230(b) further sets forth provisions relating to the interview between the issuer and DMMs, the Exchange selection by delegation, and a requirement that a DMM serve as a

²⁷¹ As previously noted, pursuant to proposed Rule 26106, a Security may, in lieu of having a DMM assigned to it, have a minimum of three non-DMM Market Makers at initial listing and two non-DMM Market Makers for continued listing to be eligible for listing on the Exchange. Consequently, a Security might not have a DMM when it initially begins trading on BSTX, but may acquire a DMM later.

²⁷² See proposed Rule 25230(a)(4). The proposed handling of these scenarios where a DMM does not meet its obligations is substantially similar to parallel requirements in NYSE American Rule 7.25E(a)(4).

DMM for a Security for at least one year unless compelling circumstances exist for which the Exchange may consider a shorter time period. Each of these provisions is substantially similar to corresponding provisions in NYSE American Rule 7.25E(b)(1)-(3), with the exception that the Exchange may shorten the one year DMM commitment period in compelling circumstances.²⁷³ Proposed Rule 25230(b) further sets forth specific provisions related to a variety of different issuances and types of securities, including spin-offs or related companies, warrants, rights, relistings, equity Security listing after preferred Security, listed company mergers, target Securities, and closed-end management investment companies.²⁷⁴ Each of these provisions is substantially similar to corresponding provisions in NYSE American Rule 7.25E(b)(4)-(11).

Proposed Rule 25230(c) sets forth the reallocation process for a DMM in a manner that is substantially similar to corresponding provisions in NYSE American Rule 7.25E(c). Generally, under the proposed Rule, an issuer may request a reallocation to a new DMM and Exchange staff will review this request, along with any DMM response letter, and eventually make a determination.²⁷⁵ Proposed Rule 25230(d), (e), and (f), set forth provisions governing an allocation freeze, allocation sunset, and criteria for applicants that are not currently DMMs to be eligible to be allocated a Security as a

²⁷³ The Exchange believes that providing the Exchange with flexibility to shorten the one year commitment period is appropriate to accommodate unforeseen events or circumstances that might arise with respect to a DMM, such as a force majeure event, preventing a DMM from being able to carry out its functions.

²⁷⁴ See proposed Rule 25230(b)(4)-(11).

²⁷⁵ In addition, proposed Rule 25230(c)(2) sets forth provisions that allow for the Exchange's CEO to immediately initiate a reallocation proceeding upon written notice to the DMM and the issuer when the DMM's performance in a particular market situation was, in the judgment of the Exchange, so egregiously deficient as to call into question the Exchange's integrity or impair the Exchange's reputation for maintaining an efficient, fair, and orderly market.

DMM respectively. Each of these provisions are likewise substantially similar to corresponding provisions in NYSE American Rule 7.25E(d)-(f).

Finally, proposed Rule 25240 sets forth the DMM combination review policy. The proposed Rule, among other things, defines a proposed combination among DMMs, requires that DMMs provide a written submission to the Office of the Corporate Secretary of the Exchange and specifies, among other things, the items to be disclosed in the written submission, the criteria that the Exchange will use to evaluate a proposed combination, and the timing for a decision by the Exchange, subject to the Exchange's right to extend such time period. The Exchange notes that proposed Rule 25240 is substantially similar to NYSE American Rule 7.26E.

The Exchange believes that the proposed Market Making Rules set forth in the Rule 25200 Series are consistent with Section 6(b)(5) of the Exchange Act²⁷⁶ because they are designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system. The Exchange notes that the proposed Rules are substantially similar to the market making rules of other exchanges, as detailed above,²⁷⁷ and that all BSTX Participants are eligible to become a Market Maker or DMM provided they comply with the proposed requirements.²⁷⁸ The proposed Market Maker Rules set forth the quotation and related expectations of BSTX Market Makers which the Exchange believes will help

²⁷⁶ 15 U.S.C. 78f(b)(5).

²⁷⁷ See NYSE American Rule 7, Section 2.

²⁷⁸ In this regard, the Exchange believes the proposed Market Making Rules are not designed to permit unfair discrimination between BSTX Participants, consistent with Section 6(b)(5) of the Exchange Act. 15 U.S.C. 78f(b)(5).

ensure that there is sufficient liquidity in Securities. Although the corresponding NYSE American rules upon which the proposed Rules are based provide for multiple tiers and classes of stocks that were each associated with a different Designated Percentage and Defined Limit, the Exchange has collapsed all such classes in to one category and provided a single Designated Percentage of 30% and Defined Limit of 31.5% for all Security trading on BSTX. The Exchange believes that simplifying the Rules in this manner can reduce the potential for confusion and allows for easier compliance and will still adequately serve the liquidity needs of investors of Security investors, which the Exchange believes promotes the removal of impediments to and perfection of the mechanism of a free and open market and a national market system, consistent with Section 6(b)(5) of the Exchange Act.²⁷⁹

The Exchange has also proposed that the minimum quotation size of Market Makers will be one Security. As noted above, the Exchange believes that Securities may initially trade in smaller increments relative to other listed equities and that reducing the two-sided quoting increment from one round lot (i.e., 100 shares) to one Security would be sufficient to meet liquidity demands and would make it easier for Market Makers and DMMs to meet their quotation obligations, which in turn incentivize more Market Maker participation. The Exchange believes that adopting quotation requirements and parameters that are appropriate for the nature and types of securities that will trade on the Exchange will promote the protection of investors and the public interest by assuring that the Exchange Rules are appropriately tailored to its market.

K. BSTX Listing Rules (Rule 26000 and 27000 Series)

²⁷⁹ 15 U.S.C. 78f(b)(5).

The BSTX Listing Rules, which include the Rule 26000 and 27000 Series, have been adapted from, and are substantially similar to, Parts 1 – 12 of the NYSE American LLC Company Guide.²⁸⁰ Except as described below, each proposed Rule in the BSTX 26000 and 27000 series is substantially similar to a Section of the NYSE American Company Guide.²⁸¹ Below is further detail.

- The BSTX Listing Rules (26100 series) are based on the NYSE American Original Listing Requirements (Sections 101-146).²⁸²
- The BSTX Original Listing Procedures (26200 series) are based on the NYSE American Original Listing Procedures (Sections 201 – 222).
- The BSTX Additional Listings Rules (26300 series) are based on the NYSE American Additional Listings Sections (Sections 301- 350).
- The BSTX Disclosure Policies (26400 series) are based on the NYSE American Disclosure Policies (Sections 401-404).
- The BSTX Dividends and Splits Rules (26500 series) are based on the NYSE American Dividends and Stock Splits Sections (Sections 501-522).

²⁸⁰ All references to various “Sections” in the discussion of these Listing Rules refer to the various Sections of the NYSE American Company Guide.

²⁸¹ The Exchange notes that while the numbering of BSTX’s Listing Rules generally corresponds to a Section of the NYSE American LLC Company Guide, BSTX did not integrate certain Sections of the NYSE American Company Guide that the Exchange deemed inapplicable to its operations, such as with respect to types of securities which the Exchange is not proposing to make eligible for listing (e.g., foreign issuers, other than those from Canada). Further, the Exchange formulated a small amount of new rules to reflect requirements relating to the use of blockchain technology as an ancillary recordkeeping mechanism, as described more fully herein. The Exchange also proposes to modify cross-references in the proposed Listing Rules to accord with its Rules.

²⁸² Pursuant to proposed Rule 26135, all securities initially listing on BSTX, except securities which are book-entry only, must be eligible for a Direct Registration Program operated by a clearing agency registered under Section 17A of the Exchange Act. 15 U.S.C. 78q-1.

- The BSTX Accounting; Annual and Quarterly Reports Rules (26600 series) are based on the NYSE American Accounting; Annual and Quarterly Reports Sections (Sections 603-624).
- The BSTX Shareholders' Meetings, Approval and Voting of Proxies Rules (26700 series) are based on the NYSE American Shareholders' Meetings, Approval and Voting of Proxies Sections (Sections 701-726).²⁸³
- The BSTX Corporate Governance Rules (26800 series) are based on the NYSE American Corporate Governance Sections (Sections 801-809).
- The BSTX Additional Matters Rules (26900 series) are based on the NYSE American Additional Matters Sections (Sections 920-994).
- The BSTX Suspension and Delisting Rules (27000 series) are based on the NYSE American Suspension and Delisting Sections (Sections 1001-1011).
- The BSTX Guide to Filing Requirements (27100 series) are based on the NYSE American Guide to Filing Requirements (Section 1101).
- The BSTX Procedures for Review of Exchange Listing Determinations (27200 series) are based on the NYSE American Procedures for Review of Exchange Listing Determinations (Sections 1201-1211).

Notwithstanding that the proposed BSTX Listing Rules are substantially similar to those of other exchanges, BSTX proposes certain additions or modifications to these rules specific to its market. For example, BSTX proposes to add definitions that apply to the proposed BSTX Listing Rules. The definitions set forth in proposed Rule 26000 are designed to facilitate understanding of the BSTX Listing Rules by market participants.

²⁸³ The Exchange notes that the proposed fees for certain items in the proposed Listing Rules (e.g., proxy follow-up mailings) are the same as those charged by NYSE American. See e.g., proposed IM-26722-8 cf. NYSE American Section 722.80.

Increased clarity may serve to remove impediments to and perfect the mechanism of a free and open market and a national market system and may also foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, consistent with Section 6(b)(5) of the Exchange Act.²⁸⁴

With respect to initial listing standards, which begin at proposed Rule 26101, the Exchange proposes to adopt listing standards that are substantially similar to the NYSE American listing rules.²⁸⁵ The Exchange believes that adopting listing rules similar to those in place on other national securities exchanges will facilitate more uniform standards across exchanges, which helps foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, consistent with Section 6(b)(5) of the Exchange Act.²⁸⁶ Market participants that are already familiar with NYSE American's listing standards will already be familiar with most of the substance of the proposed listing rules.

²⁸⁴ 15 U.S.C. 78f(b)(5).

²⁸⁵ See NYSE American Section 101. The Exchange understands that the Commission has extended relief to NYSE American with respect to certain quantitative listing standards that do not meet the thresholds of SEC Rule 3a51-1. 17 CFR 240.3a51-1. Initial listings of securities that do not meet such thresholds and are not subject to the relief provided to NYSE American would qualify as "penny stocks" and would be subject to additional regulation. BSTX notes that it is not seeking relief related to SEC Rule 3a51-1 and therefore has clarified proposed Rule 26101(a)(2) to ensure that issuers have at least one year of operating history. BSTX will also require new listings pursuant to proposed Rule 26102 to have a public distribution of 1 million Securities, 400 public Security holders, and a minimum market price of \$4 per Security. These provisions meet the requirements in SEC Rule 3a51-1 and are consistent with the rules of other national securities exchanges. See e.g., Nasdaq Rule 5510. The quantitative thresholds specified in Rule 26102 are also reflected in the Sample Underwriter's Letter that is Exhibit 3M to this proposal. In addition, the Exchange notes that proposed Rule 26140, which governs the additional listing requirements of a company that is affiliated with the Exchange, is based on similar provisions in NYSE American Rule 497 and IEX 14.205.

²⁸⁶ 15 U.S.C. 78f(b)(5).

The Exchange also believes that adopting proposed listing standards that closely resemble those of NYSE American may also foster competition among listing exchanges for companies seeking to publicly list their securities. The Exchange is proposing an addition (relative to the NYSE American listing rules) to the initial listing standards for preferred Securities.²⁸⁷ Specifically, the Exchange proposes an additional standard for preferred Securities to list on the Exchange based on NASDAQ Rule 5510.²⁸⁸ The Exchange believes a proposed rule providing an additional initial listing standard for preferred Securities consistent with a similar provision of NASDAQ would expand the possible universe of issuances that would be eligible to list on the Exchange to include preferred Securities. The Exchange believes that such a rule would help remove impediments to and perfect the mechanism of a free and open market and a national market system, consistent with Section 6(b)(5) of the Exchange Act by giving issuers an additional means by which it could list a different type of security (i.e., a preferred Security) and investors the opportunity to trade in such preferred Securities.²⁸⁹ Further, consistent with the public interest, rules that provide more opportunity for listings may promote competition among listing exchanges and capital formation for issuers.

In certain instances, BSTX proposes to add additional provisions not currently provided for in the NYSE American LLC Company Guide that are specific to Securities. For example, pursuant to proposed Rule 26230(a) (Security Architecture Responsibility and Audit), prior to approving a Security for trading on BSTX, the Exchange would

²⁸⁷ See proposed Rule 26103.

²⁸⁸ See proposed Rule 26103(b)(2). Preferred Security Distribution Standard 2 requires that a preferred Security listing satisfy the following conditions: minimum bid price of at least \$4 per Security; at least 10 Round Lot holders; at least 200,000 Publicly Held Securities; and Market Value of Publicly Held Securities of at least \$3.5 million.

²⁸⁹ 15 U.S.C. 78f(b)(5).

conduct an audit of the Security's architecture to ensure compliance with the BSTX Protocol as outlined in Rule 26138.²⁹⁰ The purpose of this requirement is to ensure that the design and structure of a prospective BSTX-listed company's Security is compatible with the BSTX Protocol for purposes of facilitating updates to the blockchain as an ancillary recordkeeping mechanism. The Exchange may use third party service providers that have demonstrated sufficient technical expertise in blockchain technology and an understanding of the BSTX Protocol to conduct this audit on behalf of the Exchange. To the extent an issuer looking to list its shares on BSTX as Securities failed the audit by BSTX of its Security architecture, the issuer would not meet the requirements of BSTX's listing rules and would therefore not be permitted to list its shares on BSTX until it successfully passed the Security audit.²⁹¹

Further, the Exchange proposes that Rule 26230(b) would provide that a listed company (i.e., issuer) remains responsible for ensuring that its Security remains compatible with the BSTX Protocol and accurately reflects the number of shares outstanding. The Exchange recognizes that, in certain circumstances, it may be necessary for a listed company to modify certain aspects of the smart contract corresponding to a Security. For example, in the case of a stock split, a listed company may need to increase the total supply of Securities as programmed into its Security smart contract. Proposed Rule 26230(b) would provide that notice of any such modification of the smart contract corresponding to a Security (e.g., to increase the total supply) must be provided to the

²⁹⁰ Proposed Rule 26230 further provides that an applicant that is denied pursuant to this section may appeal the decision via the process outlined in the Rule 27200 Series.

²⁹¹ The Exchange expects that some issuers may choose to use an outside vendor to help build their Security in a manner that complies with the BSTX Protocol. The BSTX Protocol is open-source, so there is no need to use any particular vendor over another. The Exchange understands that there are numerous technology companies that offer these services, and issuers would be free to select one of their choosing.

Exchange at least five calendar days in advance of implementation to allow the Exchange to audit the proposed modification.²⁹² While the Exchange believes that five calendar days will provide sufficient time for it to ensure that a Security is appropriately updated in advance of any implementation, the Exchange recognizes that there could conceivably be circumstances in which a change takes longer than expected to implement.

Accordingly, the Exchange proposes that Rule 26230(b) would also provide that, to the extent additional time is needed to appropriately implement the modification, the Exchange may exercise its authority to suspend the ancillary recordkeeping process pursuant to Rule 17020(f). The Exchange notes that the primary circumstances under which a modification to a smart contract corresponding to a Security may be necessary is where there is a change to the total supply of the Security, which could occur in the case of a stock split, a reverse stock split, a buy-back, or a dividend in kind. The Exchange notes that any delay in the implementation of a change to a smart contract that corresponds to a Security shall in no way impact the record date or ex-dividend date for any dividend, distribution, or other action. The Exchange believes that proposed Rule 26230 would foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, consistent with Section 6(b)(5) of the Exchange Act,²⁹³ because it facilitates the ancillary recordkeeping mechanism for BSTX-listed Securities which is a first step toward the potential integration of blockchain technology to securities transactions.

Without ensuring that BSTX-listed companies' Securities are compatible with the BSTX

²⁹² The Exchange expects that it will work with issuers to help ensure that their Securities comply with the BSTX Protocol. However, as with all Exchange Rules, failure to comply could result in potential suspension and delisting in accordance with the Rule 27000 Series.

²⁹³ 15 U.S.C. 78f(b)(5).

Protocol, the use of blockchain technology as an ancillary recordkeeping mechanism could be impaired.

With respect to the definitions in proposed Rule 26000, these are designed to facilitate understanding of the BSTX Listing Rules by market participants. The Exchange believes that allowing market participants to better understand and interpret the BSTX Listing Rules removes impediments to and perfects the mechanism of a free and open market and a national market system, and may also foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, consistent with Section 6(b)(5) of the Exchange Act.²⁹⁴

The Exchange also proposes certain enhancements to the notice requirements for listed companies to communicate to BSTX related to record dates and defaults.²⁹⁵ The Exchange believes that these additional disclosure and communication obligations can help BSTX in monitoring for listed company compliance with applicable rules and regulations; such additional disclosure obligations are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a

²⁹⁴ Id.

²⁹⁵ See Proposed Rule 26502, which requires, among other things, a listing company to give the Exchange at least ten days' notice in advance of a record date established for any other purpose, including meetings of shareholders.

national market system, and, in general, to protect investors and the public interest, consistent with Section 6(b)(5) of the Exchange Act.²⁹⁶

The Exchange's proposed Rules provide additional flexibility for listed companies in choosing how liquidity would be provided in their listings by allowing listed companies to meet either the DMM Requirement or Active Market Maker Requirement for initial listing and continued trading.²⁹⁷ Pursuant to proposed Rule 26205, a company may choose to be assigned a DMM by the Exchange or to select its own DMM.²⁹⁸ Alternatively, a company may elect, or the Exchange may determine, that, in lieu of a DMM, a minimum of three (3) market makers would be assigned to the Security at initial listing; such requirement may be reduced to two (2) market makers following the initial listing, consistent with proposed Rule 26106. The Exchange believes that such additional flexibility would promote the removal of impediments to and perfection of the

²⁹⁶ 15 U.S.C. 78f(b)(5).

²⁹⁷ See proposed Rule 26205. BSTX-listed Securities must meet the criteria specified in proposed Rule 26106, which provides that unless otherwise provided, all Securities listed pursuant to the BSTX Listing Standards must meet one of the following requirements: (1) the DMM Requirement whereby a DMM must be assigned to a given Security; or (2) the Active Market Maker Requirement which states that (i) for initial inclusion the Security must have at least three registered and active Market Makers, and (ii) for continued listing, a Security must have at least two registered and active Market Makers, one of which may be a Market Maker entering a stabilizing bid.

²⁹⁸ Exchange personnel responsible for managing the listing and onboarding process will be responsible for determining to which DMM a Security will be assigned. As provided in proposed Rule 26205, the Exchange makes every effort to see that each Security is allocated in the best interests of the company and its shareholders, as well as that of the public and the Exchange. Similarly, the Exchange anticipates that these same personnel will be responsible for answering questions relating to the Exchange's listing rules pursuant to proposed Rule 26994 (New Policies). The Exchange notes that certain provisions in the NYSE American Listing Manual contemplate a "Listing Qualifications Analyst" that would perform a number of these functions. The Exchange is not proposing to adopt provisions that specifically contemplate a "Listing Qualifications Analyst," but expects to have personnel that will perform the same basic functions, such as advising issuers and prospective issuers with respect to the BSTX Listing Rules.

mechanism of a free and open market and a national market system, consistent with Section 6(b)(5) of the Exchange Act.²⁹⁹ The Commission has previously approved exchange rules providing for three market makers to be assigned to a particular security upon initial listing and only two for continued listing.³⁰⁰ In accordance with these previously approved rules, the Exchange believes proposed Rule 26205 would ensure fair and orderly markets and would facilitate the provision of sufficient liquidity for Securities.

The Exchange also proposes a number of other non-substantive changes from the baseline NYSE American listing rules, such as to eliminate references to the concept of a “specialist,” since BSTX will not have a specialist,³⁰¹ or references to certificated equities, since Securities will be uncertificated equities.³⁰² As another example, NYSE American Section 623 requires that three copies of certain press releases be sent to the exchange, while the Exchange proposes only that a single copy of such press release be

²⁹⁹ 15 U.S.C. 78f(b)(5).

³⁰⁰ See e.g., IEX Rule 14.206.

³⁰¹ See e.g., NYSE American Section 513(f), noting that open orders to buy and open orders to sell on the books of a specialist on an ex rights date are reduced by the cash value of the rights. Proposed Rule 26340(f) deletes this provision because BSTX will not have specialists. Similarly, because BSTX will not have specialists, the Exchange is not proposing to adopt a parallel rule to NYSE American Section 516, which specifies that certain types of orders are to be reduced by a specialist when a security is quoted ex-dividend, ex-distribution or ex-rights are set forth in NYSE American Rule 132.

³⁰² See e.g., NYSE American Section 117 including a clause relating to paired securities for which “the stock certificates of which are printed back-to-back on a single certificate”). Similarly, the Exchange has proposed to replace certain references to the “Office of General Counsel” contained in certain NYSE American Listing Rule (see e.g., Section 1205) with references to the Exchange’s “Legal Department” to accommodate differences in BSTX’s organizational structure. See proposed Rule 27204. As another example, proposed Rule 27205 refers to the Exchange’s “Hearing Committee” as defined in Section 6.08 of the Exchange’s By-Laws to similarly accommodate organizational differences between the Exchange and NYSE American.

shared with the Exchange.³⁰³ In addition, the Exchange proposes to adopt Rule 26720 in a manner that is substantially similar to NYSE American Section 720, but proposes to modify the internal citations to ensure consistency with its proposed Rulebook.³⁰⁴ In its proposed Rules, the Exchange has not included certain form letters related to proxy rules that are included in the NYSE American rules;³⁰⁵ instead, these forms will be included in the BSTX Listing Supplement.³⁰⁶ The Exchange is not proposing to adopt provisions

³⁰³ See proposed Rule 26623.

³⁰⁴ Specifically, proposed Rule 26720 would provide that participants must comply with Rules 26720 through 26725 and BSTX's Rule 22020 (Forwarding of Proxy and Other Issuer-Related Materials; Proxy Voting). NYSE American Section 726, upon which proposed Rule 26720 is based, includes cross-references to NYSE American's corresponding rules to proposed Rules 26720 through 26725, and also includes cross-references to NYSE American Rules 578 through 585, for which the Exchange is not proposing corresponding rules. These NYSE American rules for which the Exchange is not proposing to adopt a parallel rule relate to certain requirements specific to proxy voting (e.g., requiring that a member state the actual number of shares for which a proxy is given – NYSE American Rule 578) or, in some cases, relate to certificated securities (e.g., NYSE American Rule 579), which would be inapplicable to the Exchange since it proposes to only list uncertificated securities. The Exchange believes that it does not need to propose to adopt parallel rules corresponding to NYSE American Rules 578-585 at this time and notes that other listing exchanges do not appear have corresponding versions of these NYSE American Rules. See e.g., Cboe BZX Rules. The Exchange believes that proposed Rule 26720 and the Exchange's other proposed Rules governing proxies, including those referenced in proposed Rule 26720, are sufficient to govern BSTX Participants' obligations with respect to proxies.

³⁰⁵ The forms found in NYSE American Section 722.20 and 722.40 will be included in the BSTX Listing Supplement.

³⁰⁶ The BSTX Listing Supplement would contain samples of letters containing the information and instructions required pursuant to the proxy rules to be given to clients in the circumstances indicated in the appropriate heading. These are intended to serve as examples and not as prescribed forms. Participants would be permitted to adapt the form of these letters for their own purposes provided all of the required information and instructions are clearly enumerated in letters to clients. Pursuant to proposed Rule 26212, the BSTX Listing Supplement would also include a sample application for original listing, which the Exchange has included as Exhibit 3G. In addition, proposed Rule 26350 states that the BSTX Listing Supplement will include a sample cancellation notice; the Exchange expects such notice to be substantially in the same form as NYSE American's sample notice in NYSE American Section 350. Other examples of items that would appear in the BSTX Listing Supplement include certain certifications to be

relating to future priced securities at this time.³⁰⁷ In addition, the Exchange is not proposing to allow for listing of foreign companies, other than Canadian companies,³⁰⁸ or to allow for issuers to transfer their existing securities to BSTX.³⁰⁹ Similarly, the Exchange is not proposing at this time to support Security debt securities, so the Exchange has not proposed to adopt certain provisions from the NYSE American Listing Manual related to bonds/debt securities³¹⁰ or the trading of units.³¹¹ The Exchange believes that the departures from the NYSE American rules upon which the proposed Rules are based, as described above, are non-substantive (e.g., by not including provisions relating to instruments that will not trade on the Exchange), would apply to all

completed by the CEO of listed companies pursuant to proposed Rule 26810(a) and (c), and forms of letters to be sent to clients requesting voting instructions and other letters relating to proxy votes pursuant to proposed IM-26722-2 and IM-26722-4. The Exchange expects that these proposed materials in the BSTX Listing Supplement will be substantially similar to the corresponding versions of such samples used by NYSE American. The purpose of putting these sample letters and other information into the BSTX Listing Supplement rather than directly in the rules is to improve the readability of the Rules.

³⁰⁷ See e.g., NYSE American Section 101, Commentary .02. The Exchange is also not proposing to adopt a parallel provision to NYSE American Section 950 (Explanation of Difference between Listed and Unlisted Trading Privileges) because the Exchange believes that such provision is not necessary and contains extraneous historical details that are not particularly relevant to the trading of Securities. The Exchange notes that numerous other listing exchanges do not have a similar provision to NYSE American Section 950. See e.g., IEX Listing Rules.

³⁰⁸ See proposed Rule 26109. Because the Exchange does not propose to allow foreign issuers of Securities, it does not propose to adopt a parallel provision to NYSE American Section 110 and other similar provisions relating to foreign issuers – e.g., NYSE American Section 801(f).

³⁰⁹ Consequently, the Exchange does not propose to adopt a parallel provision to NYSE American Section 113 at this time.

³¹⁰ See e.g., NYSE American Sections 1003(b)(iv) and (e).

³¹¹ See e.g., NYSE American Sections 106(f), 401(i), and 1003(g).

issuers in the same manner and are therefore not designed to permit unfair discrimination, consistent with Section 6(b)(5) of the Exchange Act.³¹²

The Exchange proposes in Rule 26507 to prohibit the issuance of fractional Securities and to provide that cash must be paid in lieu of any distribution or part of a distribution that might result in fractional interests in Securities.³¹³ The Exchange believes that disallowing fractional shares reduces complexity. By extension, the requirement to provide cash in lieu of fractional shares simplifies the process related to share transfer and tracking of share ownership. The Exchange believes that this simplification promotes just and equitable principles of trade, fosters cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, removes impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protects investors and the public interest, consistent with Section 6(b)(5) of the Exchange Act.³¹⁴

Proposed BSTX Rule 26130 (Original Listing Applications) would require listing applicants to furnish a legal opinion that the applicant's Security is a security under applicable United States securities laws. Such a requirement provides assurance to the Exchange that Security trading relates to appropriate asset classes. The Exchange believes that this Rule promotes just and equitable principles of trade and, in general,

³¹² 15 U.S.C. 78f(b)(5).

³¹³ The Exchange also proposes certain conforming changes in Rule 26503 (Form of Notice) to reiterate that fractional interests in Securities are not permitted by the Exchange.

³¹⁴ 15 U.S.C. 78f(b)(5).

protects investors and the public interest, consistent with Section 6(b)(5) of the Exchange Act.³¹⁵

The Exchange proposes to adopt corporate governance listing standards as its Rule 26800 series that are substantially similar to the corporate governance listing standards set forth in Part 8 of the NYSE American Listing Manual. However, it includes certain clarifications, most notably that certain proposed provisions are not intended to restrict the number of terms that a director may serve³¹⁶ and that, if a limited partnership is managed by a general partner rather than a board of directors, the audit committee requirements applicable to the listed entity should be satisfied by the general partner.³¹⁷ The Exchange also notes that, unlike the current NYSE American rules upon which the proposed Rules are based, the proposed Rules on corporate governance do not include provisions on asset-backed securities and foreign issues (other than those from Canada), since the Exchange does not proposed to allow for such foreign issuers to list on BSTX at this time.

The Exchange proposes to adopt additional listing rules as its Rule 26900 series that are substantially similar to the corporate governance listing standards set forth in Part 9 of the NYSE American Listing Manual. The only significant difference from the baseline NYSE American rules is that the proposed BSTX Rules do not include provisions related to certificated securities, since Securities listed on BSTX will be uncertificated.

The Exchange proposes to adopt suspension and delisting rules as its Rule 27000 series that are substantially similar to the corporate governance listing standards set forth

³¹⁵ Id.

³¹⁶ See proposed Rule 26802(d).

³¹⁷ See proposed Rule 26801(b).

in Parts 10, 11, and 12 of the NYSE American Listing Manual. The proposed rules do not include concepts from the baseline NYSE American rules regarding foreign, fixed income securities, or other non-equity securities because the Exchange is not proposing to allow for listing of such securities at this time.³¹⁸

The Exchange believes that the proposals in the Rule 26800 to Rule 27000 Series, which are based on the rules of NYSE American with the differences explained above, are designed to foster cooperation and coordination with persons engaged in facilitating transactions in securities, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. Further, the differences in the proposals compared to the analogous NYSE American provisions appropriately reflect the differences between the two exchanges. The Exchange believes that ensuring that its systems are appropriately described in the BSTX Rules facilitates market participants' review of such Rules, which serves to remove impediments to and perfect the mechanism of a free and open market and a national market system by ensuring that market participants can easily navigate, understand and comply with the Exchange's rulebook. Therefore, the Exchange believes its proposals are consistent with Section 6(b)(5) of the Exchange Act.³¹⁹

L. Fees (Rule 28000 Series)

The Exchange proposes to set forth as its Rule 28000 Series (Fees) the Exchange's authority to prescribe reasonable dues, fees, assessments or other charges as it may deem

³¹⁸ As with all sections of the proposed rules, references to "securities" have been changed to "Securities" where appropriate and, in the Rule 27000 series, certain references have been conformed from the baseline NYSE American provisions to account for the differences in governance structure and naming conventions of BSTX.

³¹⁹ 15 U.S.C. 78f(b)(5).

appropriate.³²⁰ As provided in proposed Rule 28000 (Authority to Prescribe Dues, Fees, Assessments and Other Charges), these fees may include membership dues, transaction fees, communication and technology fees, regulatory fees, and other fees, which will be equitably allocated among BSTX Participants, issuers, and other persons using the Exchange's facilities.³²¹ Proposed Rule 28010 (Regulatory Revenues) generally provides that any revenues received by the Exchange from fees derived from its regulatory function or regulatory fines will not be used for non-regulatory purposes or distributed to the stockholder, but rather, shall be applied to fund the legal and regulatory operations of the Exchange (including surveillance and enforcement activities).

The Exchange believes that the proposed Rule 28000 Series (Fees) is consistent with Sections 6(b)(5) of the Exchange Act because these proposed rules are designed to protect investors and the public interest by setting forth the Exchange's authority to assess fees on BSTX Participants, which would be used to operate the BSTX System and surveil BSTX for compliance with applicable laws and rules. The Exchange believes that the proposed Rule 28000 Series (Fees) is also consistent with Sections 6(b)(3) of the Exchange Act³²² because the proposed Rules specify that all fees assessed by the

³²⁰ As described above, recording information to the Ethereum blockchain requires payment of gas by the individual or entity who desires to post such a record. The payment of gas will be performed by the Wallet Manager as a service provider to the Exchange carrying out the function of updating the Ethereum blockchain as an ancillary recordkeeping mechanism. The Exchange does not plan to charge a fee to cover the costs associated with gas and updating the Ethereum blockchain. The Exchange also notes that gas costs are typically negligible and anticipates actual monthly gas expenditures to be of a de minimis amount.

³²¹ Proposed Rule 28000 further provides authority for the Exchange to charge BSTX Participants a regulatory transaction fee pursuant to Section 31 of the Exchange Act (15 U.S.C. 78ee) and that the Exchange will set forth fees pursuant to publicly available schedule of fees.

³²² 15 U.S.C. 78f(b)(5).

Exchange shall be equitably allocated among BSTX Participants, issuers and other persons using the Exchange's facilities. The Exchange notes that the proposed Rule 28000 Series is substantially similar to the existing rules of another exchange.³²³ The Exchange intends to submit a proposed rule change to the Commission setting forth the proposed fees relating to trading on BSTX in advance of the launch of BSTX.

IV. *Minor Rule Violation Plan*

The Exchange's disciplinary rules, including Exchange Rules applicable to "minor rule violations," are set forth in the Rule 12000 Series of the Exchange's current Rules. Such disciplinary rules would apply to BSTX Participants and their associated persons pursuant to proposed Rule 24000. The Exchange's Minor Rule Violation Plan ("MRVP") specifies those uncontested minor rule violations with sanctions not exceeding \$2,500 that would not be subject to the provisions of Rule 19d-1(c)(1) under the Exchange Act³²⁴ requiring that an SRO promptly file notice with the Commission of any final disciplinary action taken with respect to any person or organization.³²⁵ The Exchange's MRVP includes the policies and procedures set forth in Exchange Rule 12140 (Imposition of Fines for Minor Violations).

³²³ See Cboe BZX Rules 15.1 and 15.2.

³²⁴ 17 CFR 240.19d-1(c)(1).

³²⁵ The Commission adopted amendments to paragraph (c) of Rule 19d-1 to allow SROs to submit for Commission approval plans for the abbreviated reporting of minor disciplinary infractions. See Exchange Act Release No. 21013 (June 1, 1984), 49 FR 23828 (June 8, 1984). Any disciplinary action taken by an SRO against any person for violation of a rule of the SRO which has been designated as a minor rule violation pursuant to such a plan filed with and declared effective by the Commission will not be considered "final" for purposes of Section 19(d)(1) of the Exchange Act if the sanction imposed consists of a fine not exceeding \$2,500 and the sanctioned person has not sought an adjudication, including a hearing, or otherwise exhausted his administrative remedies.

The Exchange proposes to amend its MRVP and Rule 12140 to include proposed Rule 24010 (Penalty for Minor Rule Violations). The Rules included in proposed Rule 24010 as appropriate for disposition under the Exchange's MRVP are: (a) Rule 20000 (Maintenance, Retention and Furnishing of Records); (b) Rule 25070 (Audit Trail); (c) Rule 25210(a)(1) (Two-Sided Quotation Obligations of BSTX Market Makers); and Rule 25120 (Short Sales). The rules included in proposed Rule 12140 are the same as the rules included in the MRVPs of other exchanges.³²⁶ Upon implementation of this proposal, the Exchange will include the enumerated trading rule violations in the Exchange's standard quarterly report of actions taken on minor rule violations under the MRVP. The quarterly report includes: the Exchange's internal file number for the case, the name of the individual and/or organization, the nature of the violation, the specific rule provision violated, the sanction imposed, the number of times the rule violation has occurred, and the date of disposition. The Exchange's MRVP, as proposed to be amended, is consistent with Sections 6(b)(1), 6(b)(5) and 6(b)(6) of the Exchange Act,³²⁷ which require, in part, that an exchange have the capacity to enforce compliance with, and provide appropriate discipline for, violations of the rules of the Commission and of the exchange. In addition, because amended Rule 12140 will offer procedural rights to a person sanctioned for a violation listed in proposed Rule 24010, the Exchange will provide a fair procedure for the disciplining of members and associated persons, consistent with Section 6(b)(7) of the Exchange Act.³²⁸

³²⁶ See e.g., IEX Rule 9.218 and Cboe BZX Rule 8.15.01.

³²⁷ 15 U.S.C. 78f(b)(1), 78f(b)(5) and 78f(b)(6).

³²⁸ 15 U.S.C. 78f(b)(7).

This proposal to include the rules listed in Rule 24010 in the Exchange's MRVP is consistent with the public interest, the protection of investors, or otherwise in furtherance of the purposes of the Exchange Act, as required by Rule 19d-1(c)(2) under the Exchange Act,³²⁹ because it should strengthen the Exchange's ability to carry out its oversight and enforcement responsibilities as an SRO in cases where full disciplinary proceedings are unsuitable in view of the minor nature of the particular violation. In requesting the proposed change to the MRVP, the Exchange in no way minimizes the importance of compliance with Exchange Rules and all other rules subject to the imposition of fines under the MRVP. However, the MRVP provides a reasonable means of addressing rule violations that do not rise to the level of requiring formal disciplinary proceedings, while providing greater flexibility in handling certain violations. The Exchange will continue to conduct surveillance with due diligence and make a determination based on its findings, on a case-by-case basis, whether a fine of more or less than the recommended amount is appropriate for a violation under the MRVP or whether a violation requires a formal disciplinary action.

V. *Amendments to Existing BOX Rules*

Due to the new BSTX trading facility and the introduction of trading in Securities, a type of equity security, on the Exchange, the Exchange proposes to amend those Exchange Rules that would apply to BSTX Participants, but that currently only contemplate trading in options. Therefore, the Exchange is seeking to amend the following Exchange Rules, each of which is set forth in Exhibit 5B:

- Rule 100(a) (Definitions) "Options Participant" or "Participant": The Exchange proposes to change the definition of "Options Participant or

³²⁹ 17 CFR 240.19d-1(c)(2).

Participant” to “Participant” to reflect Options Participants and BSTX Participants and to amend the definition as follows: “The term ‘Participant’ means a firm, or organization that is registered with the Exchange pursuant to the Rule 2000 Series for purposes of participating in trading on a facility of the Exchange and includes an ‘Options Participant’ and ‘BSTX Participant.’”

- Rule 100(a) (Definitions) “Options Participant”: The Exchange proposes to add a definition of “Options Participant” that would be defined as follows: “The term ‘Options Participant’ is a Participant registered with the Exchange for purposes of participating in options trading on the Exchange.”³³⁰
- Rule 2020(g)(2) (Participant Eligibility and Registration): The Exchange proposes to delete subsection (g)(2) and replace it with the following: “(2) persons associated with a Participant whose functions are related solely and exclusively to transactions in municipal securities; (3) persons associated with a Participant whose functions are related solely and exclusively to transactions in commodities; (4) persons associated with a Participant whose functions are related solely and exclusively to transactions in securities futures, provided that any such person is appropriately registered with a registered futures association; and (5) persons associated with a Participant who are restricted from accessing the Exchange and that do not engage in the securities business of the Participant relating to activity that occurs on the Exchange.”³³¹

³³⁰ In addition, as a result of these new defined terms, the Exchange proposes to renumber definitions set forth in Rule 100(a) to keep the definitions in alphabetically order.

³³¹ In addition to revising Rule 2020(g)(2) to broaden it to include securities activities beyond just options trading, the Exchange proposes to add greater specificity to define persons that are exempt from registration, consistent with the approach adopted by other exchanges. See e.g., IEX Rule 2.160(m).

- Rule 2060 (Revocation of Participant Status or Association with a Participant): The Exchange proposes to amend Rule 2060 to refer to “securities transactions” rather than “options securities transactions.”
- Rule 3180(a) (Mandatory Systems Testing): The Exchange proposes to amend subsection (a)(1) of Rule 3180 to also include BSTX Participants, in addition to the categories of Market Makers and OFPs.
- Rule 7130(a)(2)(v) Execution and Price/Time Priority: The Exchange proposes to update the cross reference to Rule 100(a)(58) to refer to Rule 100(a)(59), which defines the term “Request for Quote” or “RFQ” under the Rules after the proposed renumbering.
- Rule 7150(a)(2) (Price Improvement Period): The Exchange proposes to amend Rule 7150(a)(2) to update the cross reference to the definition of a Professional in Rule 100(a)(51) to instead refer to Rule 100(a)(52), which is where that term would be defined in the Rules after the proposed renumbering.
- Rule 7230 (Limitation of Liability): The Exchange proposes to amend the references in Rule 7230 to “Options Participants” to simply “Participants.”
- Rule 7245(a)(4) (Complex Order Price Improve Period): The Exchange proposes to update the cross reference to Rule 100(a)(51) to refer to Rule 100(a)(52), which defines the term “Professional” after the proposed renumbering.
- IM-8050-3: The Exchange proposes to update the cross reference to Rule 100(a)(55) to refer to Rule 100(a)(56), which defines the term “quote” or

“quotation” after the proposed renumbering.³³²

- Rule 11010(a) “Investigation Following Suspension”: The Exchange proposes to amend subsection (a) of Rule 11010 to remove the reference to “in BOX options contracts” and to modify the word “position” with the word “security” as follows: “. . . the amount owing to each and a complete list of each open long and short security position maintained by the Participant and each of his or its Customers.”
- Rule 11030 (Failure to Obtain Reinstatement): The Exchange proposes to amend Rule 11030 to replace the reference to “Options Participant” to simply “Participant.”
- Rule 12030(a)(1) (Letters of Consent): The Exchange proposes to amend subsection (a)(1) of Rule 12030 to replace the reference to “Options Participant” to simply “Participant.”
- Rule 12140 (Imposition of Fines for Minor Rule Violations): The Exchange proposes to amend Rule 12140 to replace references to “Options Participant” to simply “Participant.” In addition, the Exchange proposes to add paragraph (f) to Rule 12140, to incorporate the aforementioned modifications to the Exchange’s MRVP. New paragraph (f) of Rule 12140 would provide: “(f) Transactions on BSTX. Rules and penalties relating to trading on BSTX that are set forth in Rule 24010 (Penalty for Minor Rule Violations).”

³³² Current Exchange Rule 100(a)(55) defines the term “Quarterly Options Series,” but the intended reference in IM-8050-3 was the definition of “quote” or “quotation.” The term “quote” or “quotation” is currently defined in Rule 100(a)(56), but is proposed to be renumbered as Rule 100(a)(57).

The Exchange believes that the proposed amendments to the definitions set forth in Rule 100 are consistent with Section 6(b)(5) of the Exchange Act³³³ because they protect investors and the public interest by setting forth clear definitions that help BOX and BSTX Participants understand and apply Exchange Rules. Without defining terms used in the Exchange Rules clearly, market participants could be confused as to the application of certain rules, which could cause harm to investors.

The Exchange believes that the proposed amendments to the other Exchange Rules detailed above are consistent with Section 6(b)(5) of the Exchange Act³³⁴ because the proposed rule change is designed to foster cooperation and coordination with persons engaged in facilitating transactions in securities, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. The Exchange believes that the proposed rule change would remove impediments to and perfect the mechanism of a free and open market and a national market system by ensuring that market participants can easily navigate, understand and comply with the Exchange's rulebook. The Exchange believes that the proposed rule change enables the Exchange to continue to enforce the Exchange's rules. The Exchange notes that none of the proposed changes to the current Exchange rulebook would materially alter the application of any of those Rules, other than by extending them to apply to BSTX Participants and trading on the BSTX System. As such, the proposed amendments would foster cooperation and coordination with persons engaged in facilitating transactions in securities and would remove impediments to and perfect the mechanism of a free and open market and a national exchange system.

³³³ 15 U.S.C. 78f(b)(5).

³³⁴ Id.

Further, the Exchange believes that, by ensuring the rulebook accurately reflects the intention of the Exchange's rules, the proposed rule change reduces potential investor or market participant confusion.

VI. *Forms to Be Used in Connection with BSTX*

In connection with the operation of BSTX, the Exchange proposes to use a series of new forms to facilitate becoming a BSTX Participant and for issuers to list their Securities. These forms have been attached hereto as Exhibits 3A – 3N. Each are described below.

A. BSTX Participant Application

Pursuant to proposed Rule 18000(b), in order to become a BSTX Participant, an applicant must complete a BSTX Participant Application, which is attached as Exhibit 3A. The proposed BSTX Participant Application requires the applicant to provide certain basic information such as identifying the applicant's name and contact information, Designated Examining Authority, organizational structure, and Central Registration Depository ("CRD") number. The BSTX Participant Application also requires applicants to provide additional information including certain beneficial ownership information, the applicant's current Form BD, an organization chart, a description of how the applicant receives orders from customers, how it will send orders to BSTX, and a copy of written supervisory procedures and information barrier procedures.

In addition, the BSTX Participant Application allows applicants to indicate whether they are applying to be a BSTX Market Maker or a Designated Market Maker. Applicants wishing to become a BSTX Market Maker or Designated Market Maker must provide certain additional information including a list of each of the

applicant's trading representatives (including a copy of each representative's Form U4), a copy of the applicant's written supervisory procedures relating to market making, a description of the source and amount of the applicant's capital, and information regarding the applicant's other business activities and information barrier procedures.

B. BSTX Participant Agreement

Pursuant to Exchange Rule 18000(b), to transact business on BSTX, prospective BSTX Participants must complete a BSTX Participant Agreement. The BSTX Participant Agreement is attached as Exhibit 3B. The BSTX Participant Agreement provides that a BSTX Participant must agree with the Exchange as follows:

1. Participant agrees to abide by the Rules of the Exchange and applicable bylaws, as amended from time to time, and all circulars, notices, interpretations, directives and/or decisions adopted by the Exchange.
2. Participant acknowledges that BSTX Participant and its associated persons are subject to the oversight and jurisdiction of the Exchange.
3. Participant authorizes the Exchange to make available to any governmental agency or SRO any information it may have concerning the BSTX Participant or its associated persons, and releases the Exchange from any and all liability in furnishing such information.
4. Participant acknowledges its obligation to update any and all information contained in any part of the BSTX Participant's application, including termination of membership with another SRO.

These provisions of the BSTX Participant Agreement and others therein are generally designed to reflect the Exchange's SRO obligations to regulate BSTX

Participants. Accordingly, these provisions contractually bind a BSTX Participant to comply with Exchange rules, acknowledge the Exchange's oversight and jurisdiction, authorize the Exchange to disclose information regarding the Participant to any governmental agency or SRO and acknowledge the obligation to update any and all Application contained in the Participant's application.

C. BSTX User Agreement

In order to become a BSTX Participant, prospective participants must also execute a BSTX User Agreement pursuant to proposed Rule 18000(b). The BSTX User Agreement, attached as Exhibit 3C, includes provisions related to the term of the agreement, compliance with exchange rules, right and obligations under the agreement, changes to BSTX, proprietary rights under the agreement, use of information received under the relationship, disclaimer of warranty, limitation of liability, indemnification, termination and assignment. The information is necessary to outline the rights and obligations of the prospective Participant and the Exchange under the terms of the agreement. Both the BSTX Participant Agreement and BSTX User Agreement will be available on the Exchange's website (boxoptions.com).

D. BSTX Security Market Designated Market Maker Selection Form

In accordance with proposed Rule 25230(b)(1), BSTX will maintain the BSTX Security Designated Market Maker Selection Form, which is attached as Exhibit 3D. The issuer may select its DMM from among a pool of DMMs eligible to participate in the process. Within two business days of the issuer selecting its DMM, it will use the BSTX Security Market Designated Market Maker Selection form to notify BSTX of the selection. The form must be signed by a duly authorized officer as specified in proposed Rule 25230(b)(1).

E. Clearing Authorization Forms

In accordance with proposed Rule 18010, BSTX Participants that are not members/participants of a registered clearing agency must clear their transactions through a BSTX Participant that is a member of a registered clearing agency. A BSTX Participant clearing through another BSTX Participant would do so using, as applicable, either the BSTX Clearing Authorization (non-Market Maker) form (attached as Exhibit 3E) or the BSTX Participant Clearing Authorization (Market Maker) form (attached as Exhibit 3F). Each form would be maintained by BSTX and each form specifies that the BSTX Participant clearing on behalf of the other BSTX Participant accepts financial responsibility for all transactions on BSTX that are made by the BSTX Participant designated on the form.

F. BSTX Listing Applications

The Exchange proposes to specify the required forms of listing application, listing agreement and other documentation that listing applicants and listed companies must execute or complete (as applicable) as a prerequisite for initial and ongoing listing on the Exchange, as applicable (collectively, “listing documentation”). As proposed, the listing forms are substantially similar to those currently in use by NYSE American LLC, with certain differences to account for the trading of Securities. All listing documentation will be available on the Exchange’s website (boxoptions.com). Each of the listing documents form a duly authorized representative of the company must sign an affirmation that the information provided is true and correct as of the date the form was signed. In the event that in the future the Exchange makes any substantive changes (including changes to the rights, duties, or obligations of a listed company or listing applicant or the Exchange, or

that would otherwise require a rule filing) to such documents, it will submit a rule filing in accordance with Rule 19b-4.³³⁵

Pursuant to Rule 26130 and 26300 of the Exchange Rules, a company must file and execute the BSTX Original Listing Application (attached as Exhibit 3G) or the BSTX Additional Listing Application (attached as Exhibit 3H) to apply for the listing of Securities on BSTX.³³⁶ The BSTX Original Listing Application provides information necessary, and in accordance with Section 12(b) of the Exchange Act,³³⁷ for Exchange regulatory staff to conduct a due diligence review of a company to determine if it qualifies for listing on the Exchange. The BSTX Additional Listing Application requires certain further information for an additional listing of Securities. Relevant factors regarding the company and securities to be listed would determine the type of information required. The following describes each category and use of application information:

1. Corporate information regarding the issuer of the security to be listed, including company name, address, contact information, Central Index Key Code (CIK), SEC File Number, state and country of incorporation, date of incorporation, whether the company is a foreign private issuer, website address, SIC Code, CUSIP number of the security being listed and the date of fiscal year end. This information is required of all applicants and is necessary in order for the Exchange's regulatory staff to collect basic company information for

³³⁵ The Exchange will not submit a rule filing if the changes made to a document are solely typographical or stylistic in nature.

³³⁶ Pursuant to proposed Exchange Rule 26130, an applicant seeking the initial listing of its Security must also provide a legal opinion that the applicant's Security is a security under applicable United States securities laws.

³³⁷ 15 U.S.C. 78l(b).

- recordkeeping and due diligence purposes, including review of information contained in the company's SEC filings.
2. For original listing applications only, corporate contact information including the company's Chief Executive Officer, Chief Financial Officer, Corporate Secretary, General Counsel and Investor Relations Officer. This information is required of all initial applicants and is necessary in order for the Exchange's regulatory staff to collect current company contact information for purposes of obtaining any additional due diligence information to complete a listing qualification review of the applicant.
 3. For original listing applications only, offering and security information regarding an offering, including the type of offering, a description of the issue, par value, number of Securities outstanding or offered, total Securities unissued, but reserved for issuance, date authorized, purpose of Securities to be issued, number of Securities authorized, and information relating to payment of dividends. This information is required of all applicants listing Securities on the Exchange, and is necessary in order for the Exchange's regulatory staff to collect basic information about the offering.
 4. For original listing applications only, information regarding the company's transfer agent. Transfer agent information is required for all applicants. This information is necessary in order for the Exchange's regulatory staff to collect current contact information for such company transfer agent for purposes of obtaining any additional due diligence information to complete a listing qualification review of the applicant.

5. For original listing applications only, contact information for the outside counsel with respect to the listing application, if any. This information is necessary in order for the Exchange's regulatory staff to collect applicable contact information for purposes of obtaining any additional due diligence information to complete a listing qualification review of the applicant and assess compliance with Exchange Rule 26130.
6. For original listing applications only, a description of any security preferences. This information is necessary to determine whether the Applicant issuer has any existing class of common stock or equity securities entitling the holders to differential voting rights, dividend payments, or other preferences.
7. For original listing applications only, type of Security listing, including the type of transaction (initial public offering of a Security, merger, spin-off, follow on offering, reorganization, exchange offer or conversion) and other details related to the transaction, including the name and contact information for the investment banker/financial advisor contacts. This information is necessary in order for the Exchange's regulatory staff to collect information for such company for purposes of obtaining any additional due diligence information to complete a listing qualification review of the applicant.
8. For original listing applications only, exchange requirements for listing consideration. This section notes that to be considered for listing, the Applicant Issuer must meet the Exchange's minimum listing requirements, that the Exchange has broad discretion regarding the listing of any Security and may deny listing or apply additional or more stringent criteria based on any event, condition or circumstance that makes the listing of an Applicant Issuer's Security

- inadvisable or unwarranted in the opinion of the Exchange. The section also notes that even if an Applicant Issuer meets the Exchange's listing standards for listing on the BSTX Security Market, it does not necessarily mean that its application will be approved. This information is necessary in order for the Exchange's regulatory staff to assess whether an Applicant Issuer is qualified for listing.
9. For original listing applications only, regulatory review information, including a certification that no officer, board member or non-institutional shareholder with greater than 10% ownership of the company has been convicted of a felony or misdemeanor relating to financial issues during the past ten years or a detailed description of any such matters. This section also notes that the Exchange will review background materials available to it regarding the aforementioned individuals as part of the eligibility review process. This regulatory review information is necessary in order for the Exchange's regulatory staff to assess whether there are regulatory matters related to the company that render it unqualified for listing.
 10. For original listing applications only, supporting documentation required prior to listing approval includes a listing agreement, corporate governance affirmation, Security design affirmation, listing application checklist and underwriter's letter. This documentation is necessary in order to support the Exchange's regulatory staff listing qualification review (corporate governance affirmation, listing application checklist and underwriter's letter) and to effectuate the listed company's agreement to the terms of listing (listing agreement).

11. For additional listing applications only, transaction details, including the purpose of the issuance, total Securities, date of board authorization, date of shareholder authorization and anticipated date of issuance. This information is required of all applicants listing additional Securities on the Exchange, and is necessary in order for the Exchange's regulatory staff to collect basic information about the offering.
12. For additional listing applications only, insider participation and future potential issuances, including whether any director, officer or principal shareholder of the company has a direct or indirect interest in the transaction, and if the transaction potentially requires the company to issue any Securities in the future above the amount they are currently applying for. This information is required of all applicants listing additional Securities on the Exchange, and is necessary in order for the Exchange's regulatory staff to collect basic information about the offering.
13. For additional listing applications only, information for a technical original listing, including reverse Security splits and changes in states of incorporation. This information is required of all applicants listing additional Securities on the Exchange, and is necessary in order for the Exchange's regulatory staff to collect basic information about the offering.
14. For additional listing applications only, information for a forward Security split or Security dividend, including forward Security split ratios and information related to Security dividends. This information is required of all applicants listing additional Securities on the Exchange, and is necessary in order to determine the rights associated with the Securities.
15. For additional listing applications only, relevant company documents. This information is required of all applicants listing additional Securities on the

Exchange, and is necessary to assess to support the Exchange's regulatory staff listing qualification review.

16. For additional listing applications only, reconciliation for technical original listing, including Securities issued and outstanding after the technical original event, listed reserves previously approved for listing, and unlisted reserves not yet approved by the Exchange. This information is required of all applicants listing additional Securities on the Exchange, and is necessary to assess to support the Exchange's regulatory staff listing qualification review and to obtain all of the information relevant to the offering.

G. Checklist for Original Listing Application

In order to assist issuers seeking to list its Securities on BSTX, the Exchange has provided a checklist for issuers to seeking to file an original listing application with BSTX. The BSTX Listing Application Checklist, attached as Exhibit 3I, provides that issuers must provide BSTX with a listing application, listing agreement, corporate governance affirmation, BSTX Security design affirmation, underwriter's letter (for an initial public offering of a Security only) and relevant SEC filings (e.g., 8-A, 10, 40-F, 20-F). Each of the above referenced forms are fully described herein. The checklist is necessary to assist issuers and the Exchange regulatory staff in assessing the completion of the relevant documents.

H. BSTX Security Market Listing Agreement

Pursuant to proposed Exchange Rule 26132, to apply for listing on the Exchange, a company must execute the BSTX Security Market Listing Agreement (the "Listing Agreement"), which is attached as Exhibit 3J. Pursuant to the proposed Listing Agreement, a company agrees with the Exchange as follows:

1. Company certifies that it will comply with all Exchange rules, policies, and procedures that apply to listed companies as they are now in effect and as they may be amended from time to time, regardless of whether the Company's organization documents would allow for a different result.
2. Company shall notify the Exchange at least 20 days in advance of any change in the form or nature of any listed Securities or in the rights, benefits, and privileges of the holders of such Securities.
3. Company understands that the Exchange may remove its Securities from listing on the BSTX Security Market, pursuant to applicable procedures, if it fails to meet one or more requirements of Paragraphs 1 and 2 of this agreement.
4. In order to publicize the Company's listing on the BSTX Security Market, the Company authorizes the Exchange to use the Company's corporate logos, website address, trade names, and trade/service marks in order to convey quotation information, transactional reporting information, and other information regarding the Company in connection with the Exchange. In order to ensure the accuracy of the information, the Company agrees to provide the Exchange with the Company's current corporate logos, website address, trade names, and trade/service marks and with any subsequent changes to those logos, trade names and marks. The Listing Agreement further requires that the Company specify a telephone number to which questions regarding logo usage should be directed.
5. Company indemnifies the Exchange and holds it harmless from any third-party rights and/or claims arising out of use by the Exchange or, any affiliate or facility of the Exchange ("Corporations") of the Company's corporate logos, website

- address, trade names, trade/service marks, and/or the trading symbol used by the Company.
6. Company warrants and represents that the trading symbol to be used by the Company does not violate any trade/service mark, trade name, or other intellectual property right of any third party. The Company's trading symbol is provided to the Company for the limited purpose of identifying the Company's security in authorized quotation and trading systems. The Exchange reserves the right to change the Company's trading symbol at the Exchange's discretion at any time.
 7. Company agrees to furnish to the Exchange on demand such information concerning the Company as the Exchange may reasonably request.
 8. Company agrees to pay when due all fees associated with its listing of Securities on the BSTX Security Market, in accordance with the Exchange's rules.
 9. Company agrees to file all required periodic financial reports with the SEC, including annual reports and, where applicable, quarterly or semi-annual reports, by the due dates established by the SEC.

The various provisions of the Listing Agreement are designed to accomplish several objectives. First, clauses 1-3 and 6-8 reflect the Exchange's SRO obligations to assure that only listed companies that are compliant with applicable Exchange rules may remain listed. Thus, these provisions contractually bind a listed company to comply with Exchange rules, provide notification of any corporate action or other event that will cause the company to cease to be in compliance with Exchange listing requirements, evidence the company's understanding that it may be removed from listing (subject to applicable procedures) if it fails to be in compliance or notify the

Exchange of any event of noncompliance, furnish the Exchange with requested information on demand, pay all fees due and file all required periodic reports with the SEC. Clauses four and five contain standard legal representations and agreements from the listed company to the Exchange regarding use of its logo, trade names, trade/service markets, and trading symbols as well as potential legal claims against the Exchange in connection thereto.

I. BSTX Security Market Company Corporate Governance

Affirmation

In accordance with the proposed Rule 26800 Series, companies listed on BSTX would be required to comply with certain corporate governance standards, relating to, for example, audit committees, director nominations, executive compensation, board composition, and executive sessions. In certain circumstances the corporate governance standards that apply vary depending on the nature of the company. In addition, there are phase-in periods and exemptions available to certain types of companies. The proposed BSTX Security Market Corporate Governance Affirmation, attached as Exhibit 3K, enables a company to confirm to the Exchange that it is in compliance with the applicable standards, and specify any applicable phase-ins or exemptions. Companies are required to submit a BSTX Security Market Corporate Governance Affirmation upon initial listing on the Exchange and thereafter when an event occurs that makes an existing form inaccurate. This BSTX Security Market Corporate Governance Affirmation assists the Exchange regulatory staff in monitoring listed company compliance with the corporate governance requirements.

J. Security Design Affirmation for the BSTX Security Market

In accordance with proposed Rule 26138, in order for a Security to be admitted to dealings on BSTX, such Security must follow the BSTX Protocol. The BSTX Protocol will be provided via Regulatory Circular and posted on the Exchange's website. The Exchange has included an overview of the BSTX Protocol as Exhibit 3N. The Security Design Affirmation, attached as Exhibit 3L, enables a company to affirm to the Exchange that it is in compliance with the applicable standards. Companies are required to submit a Security Design Affirmation upon initial listing on the Exchange. This Security Design Affirmation assists the Exchange's staff in verifying that an issuer's Securities meet the requirements of the BSTX Protocol.

K. Sample Underwriter's Letter

In accordance with proposed Rule 26101, an initial public offering of a Security must meet certain listing requirements. The Exchange seeks to require the issuer's underwriter to execute a letter setting forth the details of the offering, including the name of the offering and why the offering meets the criteria of the BSTX rules. This information, set forth in the proposed Sample Underwriter's Letter and attached as Exhibit 3M, is necessary to assist the Exchange's regulatory staff in assessing the offering's compliance with BSTX listing standards for an initial public offering of a Security.

L. BSTX Protocol Summary Overview

BSTX Rule 26138 requires that a BSTX listed company's Securities must comply with the BSTX Protocol to trade on BSTX. Exhibit 3N provides fundamental information related to the Ethereum blockchain and background information on the functions, configurations, and events of the Asset Smart Contract of the BSTX Protocol.

Exhibit 3N also provides information on the Registry and Compliance features of the BSTX Protocol.

VII. Regulation

In connection with the operation of BSTX, the Exchange will leverage many of the structures it established to operate a national securities exchange in compliance with Section 6 of the Exchange Act.³³⁸ Specifically, the Exchange will extend its Regulatory Services Agreement with FINRA to cover BSTX Participants and trading on the BSTX System. This Regulatory Services Agreement will govern many aspects of the regulation and discipline of BSTX Participants, just as it does for options regulation. The Exchange will perform Security listing regulation, authorize BSTX Participants to trade on the BSTX System, and conduct surveillance of Security trading on the BSTX System.

Section 17(d) of the Exchange Act³³⁹ and the related Exchange Act rules permit SROs to allocate certain regulatory responsibilities to avoid duplicative oversight and regulation. Under Exchange Act Rule 17d-1,³⁴⁰ the SEC designates one SRO to be the Designated Examining Authority, or DEA, for each broker-dealer that is a member of more than one SRO. The DEA is responsible for the financial aspects of that broker-dealer's regulatory oversight. Because Exchange Participants, including BSTX Participants, also must be members of at least one other SRO, the Exchange would generally not be designated as the DEA for any of its members.³⁴¹

³³⁸ 15 U.S.C. 78f.

³³⁹ 15 U.S.C. 78q(d).

³⁴⁰ 17 CFR 240.17d-1.

³⁴¹ See Exchange Rule 2020(a) (requiring that a Participant be a member of another registered national securities exchange or association).

Rule 17d-2 under the Exchange Act³⁴² permits SROs to file with the Commission plans under which the SROs allocate among each other the responsibility to receive regulatory reports from, and examine and enforce compliance with specified provisions of the Exchange Act and rules thereunder and SRO rules by, firms that are members of more than one SRO (“common members”). If such a plan is declared effective by the Commission, an SRO that is a party to the plan is relieved of regulatory responsibility as to any common member for whom responsibility is allocated under the plan to another SRO. The Exchange plans to join the Plan for the Allocation of Regulatory Responsibilities Regarding Regulation NMS.³⁴³ The Exchange may choose to join certain Rule 17d-2 agreements such as the agreement allocating responsibility for insider trading rules.³⁴⁴

For those regulatory responsibilities that fall outside the scope of any Rule 17d-2 agreements that the Exchange may join, subject to Commission approval, the Exchange will retain full regulatory responsibility under the Exchange Act. However, as noted, the Exchange will extend its existing Regulatory Services Agreement with FINRA to provide that FINRA personnel will operate as agents for the Exchange in performing certain regulatory functions with respect to BSTX. As is the case with the Exchange’s options trading platform, the Exchange will supervise FINRA and continue to bear ultimate regulatory responsibility for BSTX. Consistent with the Exchange’s existing regulatory structure, the Exchange’s Chief Regulatory Officer shall have general supervision of the regulatory operations of BSTX, including responsibility for overseeing the surveillance,

³⁴² 17 CFR 240.17d-2.

³⁴³ Exchange Act Release No. 85046 (February 4, 2019), 84 FR 2643 (February 7, 2019).

³⁴⁴ Exchange Act Release No. 84392 (October 10, 2018), 83 FR 52243 (October 16, 2018).

examination, and enforcement functions and for administering all regulatory services agreements applicable to BSTX. Similarly, the Exchange's existing Regulatory Oversight Committee will be responsible for overseeing the adequacy and effectiveness of Exchange's regulatory and self-regulatory organization responsibilities, including those applicable to BSTX. Finally, as it does with options, the Exchange will perform automated surveillance of trading on BSTX for the purpose of maintaining a fair and orderly market at all times and monitor BSTX to identify unusual trading patterns and determine whether particular trading activity requires further regulatory investigation by FINRA.

In addition, the Exchange will oversee the process for determining and implementing trade halts, identifying and responding to unusual market conditions, and administering the Exchange's process for identifying and remediating "clearly erroneous trades" pursuant to proposed Rule 25110. The Exchange shall also oversee the onboarding and application process for BSTX Participants as well as compliance by issuers of Securities with the applicable initial and continuing listing requirements, including compliance with the BSTX Protocol.³⁴⁵

VIII. *NMS Plans*

The Exchange intends to join the Order Execution Quality Disclosure Plan, the Plan to Address Extraordinary Market Volatility, the Plan Governing the Process of Selecting a Plan Processor, and the applicable plans for consolidation and dissemination of market data. The Exchange is already a participant in the NMS plan related to the Consolidated Audit Trail. Consistent with Section 6(b)(5) of the Exchange Act,³⁴⁶ the Exchange

³⁴⁵ See proposed Exchange Rules 26230 (Security Architecture Audit) and 26138 (BSTX Protocol).

³⁴⁶ 15 U.S.C. 78f(b)(5).

believes that joining the same set of NMS plans that all other national securities exchanges that trade equities must join fosters cooperation and coordination with other national securities exchanges and other market participants engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of the Exchange Act,³⁴⁷ in general and with Section 6(b)(5) of the Exchange Act,³⁴⁸ in particular, in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest; and it is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers, or to regulate by virtue of any authority conferred by this title matters not related to the purposes of this title or the administration of the Exchange.

The Exchange believes that BSTX will benefit individual investors, other market participants, and the equities market generally. The Exchange proposes to establish BSTX as a facility of the Exchange that would trade equities in a similar manner to how equities presently trade on other exchanges. However, BSTX would also require reporting of end-of-day Security balances to the Exchange in order to facilitate the

³⁴⁷ 15 U.S.C. 78a et seq.

³⁴⁸ 15 U.S.C. 78f(b)(5).

use of blockchain technology as an ancillary recordkeeping mechanism. The Exchange believes that using blockchain technology as an ancillary recordkeeping mechanism that operates in parallel with the traditional trading, recordkeeping, and clearance and settlement structures that market participants are familiar with is an important first step toward exploring the potential uses and benefits of blockchain technology in securities transactions. The entry of an innovative competitor such as BSTX seeking to implement a measured introduction of blockchain technology in connection with the trading of equity securities may promote competition by encouraging other market participants to find ways of using blockchain technology in connection with securities transactions. The proposed regulation of BSTX and BSTX Participants, as well as the execution of Securities using a price-time priority model and the clearance and settlement of Securities will all operate in a manner substantially similar to existing equities exchanges. In this way, the Exchange believes that BSTX provides a robust regulatory structure that protects investors and the public interest while introducing the use of blockchain technology as an ancillary recordkeeping mechanism in connection with listed equity securities.

In order to implement the use of blockchain technology as an ancillary recordkeeping mechanism, the Exchange proposes two requirements pursuant to proposed Rule 17020 to: (i) obtain a wallet address through BSTX to which end-of-day Security balances may be recorded to the Ethereum blockchain as an ancillary recordkeeping mechanism; and (ii) requiring BSTX Participants to report their end-of-day Security balances to BSTX to facilitate updates to the Ethereum blockchain as an ancillary recordkeeping mechanism to reflect changes in ownership as a result of trading Securities.

The Exchange believes that the proposed address whitelisting and end-of-day Security balance reporting requirement is consistent with the Exchange Act, and Section 6(b)(5)³⁴⁹ in particular, because it is designed to foster cooperation and coordination with persons engaged in regulating, clearing, settling, and processing information with respect to transactions in Securities and does not unfairly discriminate among BSTX Participants, all of whom are subject to the same wallet address and end-of-day reporting requirement. The requirement to obtain a wallet address is a one-time, minimal obligation similar to obtaining an MPID or other market participant identifier that is applicable to each BSTX Participant. The end-of-day Security balance reporting obligation would be used to update the Ethereum blockchain as an ancillary recordkeeping mechanism, which the Exchange believes would be a first step in demonstrating the potential use of blockchain technology in connection with securities transactions. The Exchange does not propose to charge a fee in connection with either of these requirements. As discussed in greater detail above,³⁵⁰ the Exchange believes that these proposed requirements are consistent with the Exchange Act as they are necessary to facilitate the blockchain-based ancillary recordkeeping mechanism and are consistent with authority that the Commission has already approved for exchanges regarding furnishment of records by members of the exchange. The Exchange believes that blockchain technology offers potential benefits to investors, and while such benefits may not be immediately evident while the blockchain is used only as ancillary recordkeeping mechanism, the Exchange believes that a measured and gradual introduction of blockchain technology is a useful way to explore

³⁴⁹ 15 U.S.C. 78f(b)(5).

³⁵⁰ See supra Parts II.G. through J for further discussion regarding why these proposed requirements are consistent with the Exchange Act.

these potential benefits that is consistent with the protection of investors and the public interest.

The Exchange also believes that the proposed rule change is consistent with Section 11A of Exchange Act which sets forth the Commission’s authority to establish and maintain a national market system.³⁵¹ In setting forth the Commission’s authority to establish a national market system, Congress expressly contemplated that the national market system “may include use of subsystems for particular types of securities with unique trading characteristics.”³⁵² The Exchange has proposed here a type of security (i.e., Securities) that trade, clear, and settle entirely within the scope and using the same processes as the existing national market system, but that pursuant to the proposed BSTX Rules would have the unique characteristic of an end-of-day Security balance reporting process as an ancillary recordkeeping function using the “subsystem” of blockchain technology.³⁵³ The clear intent of Congress was to provide for a national market system that could include such “securities with unique trading characteristics.” For these reasons the Exchange believes that the proposed rule change is consistent with Section 11A of the Exchange Act.

³⁵¹ 15 U.S.C. 78k-1.

³⁵² 15 U.S.C. 78k-1(a)(2).

³⁵³ The Exchange notes that to the extent the Commission believes that the ancillary recordkeeping process regarding Securities under the proposed BSTX Rules is not a “unique trading characteristic” of Securities for purposes of Section 11A of the Exchange Act insofar as it does not directly relate to “trading” of Securities, then there would not be any concern with respect to Securities regarding consistency with Section 11A. In other words, either the ancillary recordkeeping process is a unique trading characteristic of Securities as explicitly contemplated by Congress as part of the national market system or it is not a unique trading characteristic of Securities because they will trade, clear, and settle the same as all other NMS stock. In the latter case, Securities would be consistent with Section 11A just like all other NMS stock.

Finally, the Exchange believes that the proposal is consistent with Section 6(b)(5) of the Exchange Act because the BSTX Rules would not be designed to regulate by virtue of any authority conferred by the Exchange Act matters that are not related to the purposes of the Exchange Act or the administration of the Exchange. Congress adopted Section 2 of the Exchange Act to set forth the reasons for the necessity of the Exchange Act, which expressly include that “transactions in securities as commonly conducted upon securities exchanges and over-the-counter markets are effected with a national public interest which makes it necessary to provide for regulation and control of such transactions *and of practices and matters related thereto*, including . . . *to require appropriate reports[.]*”³⁵⁴ [emphasis added]. The Exchange Act and rules of self-regulatory organizations, including national securities exchanges and national securities associations, include reporting requirements that regulate and control matters and practices related to securities transactions conducted on securities exchanges and in the over-the-counter markets. For example, all of the U.S. options exchanges and FINRA maintain rules approved by the Commission that require their member broker-dealers to prepare and submit daily large options position reports to a third-party administrator that maintains a large options position reporting system.³⁵⁵ These large option positions reports are not reports regarding the trading or clearance and settlement of securities transactions themselves but, instead, are reports that are related to end-of-day positions of the members of the options exchange and/or FINRA in a particular class of standardized or over-the-counter securities option. As described above, the proposed BSTX Rules regarding the ancillary recordkeeping process would similarly require BSTX Participants

³⁵⁴ 15 U.S.C. 78(b).

³⁵⁵ See e.g., FINRA Rule 2360(b)(5) and Cboe Rule 8.43.

to provide reports regarding their end-of-day positions in Securities. Also as described above, the Exchange believes that the requirements regarding the ancillary recordkeeping process will promote the use of the functionality of smart contracts and their ability to allocate and re-allocate Security balances in tokenized form across multiple addresses in connection with end-of-day Security position balance information of BSTX Participants such that the requirements will allow market participants to observe and increase their familiarity with the capabilities and potential benefits of blockchain technology in a context that parallels current equity market infrastructure and thereby advances and protects the public's interest in the use and development of new data processing techniques that may create opportunities for more efficient, effective and safe securities markets.³⁵⁶

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act. The Exchange operates in an intensely competitive global marketplace for transaction services. Relying on its array of services and benefits, the Exchange competes for the privilege of providing market services to broker-dealers. The Exchange's ability to compete in this environment is based in large part on the quality of its trading systems, the overall quality of its market and its attractiveness to the largest number of investors, as measured by speed, likelihood and costs of executions, as well as spreads, fairness, and transparency.

³⁵⁶ Report of the Senate Committee on Banking, Housing & Urban Affairs, S. Rep. No. 94-75, at 8 (1975) (expressing Congress' finding that new data processing and communications systems create the opportunity for more efficient and effective markets).

The Exchange believes that the primary areas where the proposed rule change has the potential to result in a burden on competition are with regard to the terms on which: (1) issuers may list their securities for trading, (2) market participants that may access the Exchange and use its facilities, (3) Security transactions may be cleared and settled, (4) Security transactions occurring OTC, and (5) Security transactions occurring on other exchanges that might extend unlisted trading privileges to Securities.

Regarding considerations (1) and (2), and as described in detail in Item 3 above, the BSTX Rules are drawn substantially from the existing rules of other exchanges that the Commission has already found to be consistent with the Exchange Act, including regarding whether they impose any burden on competition that is not necessary or appropriate in furtherance of its purposes. For example, the BSTX Listing Rules in the 26000 and 27000 Series that affect issuers and their ability to list Securities for trading are based substantially on the current rules of NYSE American. The Exchange has proposed that issuers would be required to create and maintain a Security compliant with the BSTX Protocol. The Exchange recognizes that these requirements are additional to those of other exchanges. However, the Exchange does not believe this poses a burden on competition because issuers are free to choose to list on other exchanges without such requirements. The Exchange believes that these requirements may attract issuers that are interested in exploring the potentials of blockchain technology. Additionally, the BSTX Rules regarding membership and access to and use of the facilities of BSTX are also substantially based on existing exchange rules. Specifically, the relevant BSTX Rules are as follows: participation on BSTX (Rule 18000 Series); business conduct for BSTX participants (Rule 19000 Series); financial and operational rules for BSTX participants (Rule 20000 Series); supervision (Rule 21000 Series); miscellaneous provisions (Rule

22000 Series); trading practices (Rule 23000 Series); discipline and summary suspension (Rule 24000 Series); trading (Rule 25000 Series); market making (Rule 25200 Series); and dues, fees, assessments, and other charges (Rule 28000 Series). As described in detail in Item 3, these rules are substantially based on analogous rules of the following exchanges, as applicable: BOX; Investors Exchange LLC; Cboe BZX Exchange, Inc.; The Nasdaq Stock Market LLC; and NYSE American LLC. The address whitelisting and end-of-day Security balance reporting requirements to facilitate the use of the Ethereum blockchain as an ancillary recordkeeping mechanism in proposed Rule 17020 would apply equally to all BSTX Participants and therefore would not impose any different burden on one BSTX Participant compared to another. The Exchange believes that these requirements would impose only a minimal burden on BSTX Participants that is unlikely to materially impact the competitive balance among investors and traders of Securities.

Regarding consideration (3) above and the manner in which Security transactions may be cleared and settled, the Exchange proposes to clear and settle Securities in accordance with the rules, policies and procedures of a registered clearing agency, similar to how the Exchange believes other exchange-listed equity securities are cleared and settled today. Therefore, BSTX's rules do not impose any burden on competition regarding the manner in which trades may be cleared or settled because market participants would be able to clear and settle Security transactions in substantially the same manner as they already clear and settle transactions in other types of NMS stock.

With respect to consideration (4) above, as previously noted, market participants would not be limited in their ability to trade Securities OTC because Securities could be traded OTC and would be cleared and settled in the same manner as other NMS stocks through the facilities of a registered clearing agency. Thus, the Exchange does not

believe that its proposal will place any new burden on competition with respect to OTC trading, given that trading, clearance and settlement will take place in the same manner as for other NMS stocks. The Exchange acknowledges that BSTX Participants would be subject to additional requirements (i.e., acquiring a wallet address and end-of-day Security balance reporting pursuant to proposed Rule 17020) that are not required of non-BSTX Participants trading Securities. The Exchange believes that these additional requirements impose only a minimal burden on BSTX Participants and should not have any material or undue burden or impact on competition between BSTX Participants and non-BSTX Participants. Acquiring a wallet address is a one-time burden that can be readily addressed by contacting the Exchange, and the end-of-day Security balance reporting requests only that the BSTX Participant, either directly or through its carrying firm, report information that it (or its carrying firm) already has available to it from DTC on a daily basis regarding the balance of Securities held.

Finally, with respect to consideration (5) noted above regarding other exchanges extending unlisted trading privileges to Securities, the Exchange does not believe that the proposed Rules would impose a burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act. Securities would trade, clear, and settle in the same manner as other NMS stock. Accordingly, other exchanges would be able to extend unlisted trading privileges to Securities in accordance with Commission rules.³⁵⁷

³⁵⁷ In the SIFMA April Letter, SIFMA asked whether other exchanges would be able to access the distributed ledger technology that BSTX proposes to use, which is the Ethereum blockchain. SIFMA April Letter at 4. The Exchange notes that use of Ethereum technology is not exclusive to BSTX. Ethereum is an open source public blockchain that supports smart contract functionality. Thus, all market participants would have open access to the distributed ledger technology associated with the proposal.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange has neither solicited nor received comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve or disapprove the proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-BOX-2020-14 on the subject line.

Paper Comments

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-BOX-2020-14. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method.

The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, on business days between the hours of 10 a.m. and 3 p.m., located at 100 F Street, NE, Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-BOX-2020-14 and should be submitted on or before [date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³⁵⁸

Kevin M. O'Neill
Deputy Secretary

³⁵⁸ 17 CFR 200.30-3(a)(12).



PART V: BSTX APPLICANT-FIRM INFORMATION

Return to: BOX Exchange LLC (the "Exchange")
Attn: Membership
101 Arch Street, Suite 610
Boston, MA 02110
Ph: (617) 235-2315
Email: membership@boxregulation.com

Date of Application: _____

1. Name: _____
(Full and Legal Name of BSTX Applicant-Firm)

2. Address: _____
(Street) (Telephone)

(City, State, Zip) (Fax Number)

3. Primary Contact _____
(Name) (Title)

(Telephone) (Fax) (Email Address)

(a) Regulatory Contact (if different): _____

(b) Billing Contact (if different): _____

4. Type of Entity: (check one) Corporation Partnership LLC LLP
 Other: (Explain) _____

EXHIBIT 3A

5. The BSTX Applicant-Firm intends to register as a(n) (Check all that apply):

- Market Maker
- Designated Market Maker (“DMM”)

6. Is the BSTX Applicant-Firm an entity formed under and subject to the laws of the United States?

- (check one) Yes No

(a) If “no,” does the company have a registered subsidiary formed under and subject to the laws of United States? _____

1. State the name and address of such subsidiary and primary contact information:

7. BSTX Applicant-Firm’s Central Registration Depository (CRD) number: _____

8. Designated Examining Authority (“DEA”): Check if: FINRA Member

Other (Please provide name): _____

9. Identify the clearing member through which BSTX Applicant-Firm will clear transactions on BSTX:

10. Beneficial Ownership Information: (NOTE: if either part of this question is yes, please provide an organizational chart showing the affiliations)

- (a) Does any entity beneficially own, directly or indirectly, an interest of 10% or more in the BSTX Applicant-Firm? (check one) Yes No
- (b) Does the BSTX Applicant-Firm own a beneficial interest, directly or indirectly, of 10% or more in any BOX Options Participant or BSTX Participant? (check one) Yes No
- (c) Is the BSTX Applicant-Firm currently a BOX Options Participant? (check one) Yes No

11. BSTX Applicant-Firms is requested to provide the following supplemental information:

- (a) A copy of the Applicant-Firm’s current Form BD.
- (b) An organizational chart, including the names of BSTX Applicant-Firm’s chief executive officer, chief financial officer, chief operating officer, and chief compliance officer.

EXHIBIT 3A

- (c) A description of BSTX Applicant-Firm's proposed trading activities on BSTX as it pertains to the following: (Include a statement of the extent to which BSTX Applicant-Firm currently is conducting such activities as a member of other SRO(s).)
 - 1. ORDER FLOW PROVIDER: Please indicate the nature of such activity (e.g. x % retail orders and/or x % BD orders);
 - 2. MARKET MAKER;
 - 3. ORDER FLOW PROVIDER AND MARKET MAKER;
- (d) A description of the manner in which BSTX Applicant-Firm receives orders from customers such as electronically, via Internet or proprietary communication devices, and the process and/or systems used. Include basic diagrams to illustrate processes if necessary.
- (e) A description of the manner in which BSTX Applicant-Firm will send orders to BSTX, such as through an internet processing system or through a third party order routing service. Include basic diagrams if necessary.
- (f) Please provide a copy of BSTX Applicant-Firm's written supervisory procedures and information barrier procedures.

12. Supplemental Information for Market Maker Member BSTX Applicant-Firms. In addition to the information requested above, BSTX Applicant-Firms acting as Market Makers are requested to provide the following information:

- (a) A list of:
 - 1. The office(s) from which BSTX Applicant-Firm will conduct BSTX market making activity;
 - 2. The individual(s) responsible for supervising such trading activity.

EXHIBIT 3A

- (a) List of the locations from which BSTX Applicant-Firm will conduct its BSTX market making activity;
- (b) List all designated trading representatives; and the address(es) from which they will conduct market making or other trading activities;
- (c) List individuals responsible for supervising such trading representatives (Responsible Person) and the U.S. based address(es) from which the supervision will take place.

6. Trading Representative Qualifications: Please provide the following information:

- (a) Copy of Form U4 for each of the trading representatives identified in section 5 above; and
- (b) Provide a brief description of the trading representative's qualifications
- (c) Please note that each trading representative must take an examination, submit to a new Market Maker orientation program (if required by the Exchange) and be approved by Exchange.

7. Supervisory Procedures: Please provide a copy of BSTX Applicant-Firm's written supervisory procedures for market making activities on BSTX.**8. BSTX Applicant-Firm's Capital:**

Please provide the source and amount of BSTX Applicant-Firm's capital to support its market making activities on BSTX, and the source of any additional capital that may become necessary.

9. Other Business Activities:

If the BSTX Applicant-Firm will be conducting other business activities at the market making trading location(s), please provide:

- (a) A statement describing such activities; and
- (b) Copy of "Chinese Wall" procedures.

EXHIBIT 3A

10. Authorization:

The undersigned agrees that he/she is authorized on behalf of BSTX Applicant-Firm to make this application to the Exchange.

The undersigned hereby agrees that the BSTX Applicant-Firm will abide by the Bylaws and Rules of the Exchange as they shall be amended from time to time.

The undersigned represents that, to the best of their knowledge and belief, the foregoing statements are true and correct.

The undersigned recognizes that Applicant-Firm may be the subject of an investigative consumer report ordered by the Exchange, and hereby authorizes and consents to the Exchange obtaining such report.

(Signature of Authorized Officer)

(Date)

(Print Name)

(Title)

EXHIBIT 3B



BSTX PARTICIPANT AGREEMENT

Return to: BOX Exchange LLC (the “Exchange”)
 Attn: Membership
 101 Arch Street, Suite 610
 Boston, MA 02110
 Ph: (617) 235-2315
 Email: membership@boxregulation.com

BSTX Participant agrees to abide by the Rules of the BOX Exchange LLC (the “Exchange”) applicable Bylaws and Rules of the Exchange, as amended from time to time, and all circulars, notices, interpretations, directives and/or decisions adopted by the Exchange.

BSTX Participant acknowledges that BSTX Participant and its associated persons are subject to the oversight and jurisdiction of the Exchange.

BSTX Participant authorizes the Exchange to make available to any governmental agency or self-regulatory organization (“SRO”) any information it may have concerning the BSTX Participant or its associated persons, and releases the Exchange from any and all liability in furnishing such information.

BSTX Participant acknowledges its obligation to update any and all information contained in any part of the BSTX Participant’s application, including termination of membership with another SRO.

Agreed to as of this _____ day of _____, 20_.

BSTX Participant

BOX Exchange LLC

(Company Name)

By: _____
(Signature)

(Name and Title)

(Street Address)

(City, State & Zip Code)



BSTX USER AGREEMENT

Return to: BOX Exchange LLC (the “Exchange”)
Attn: Membership
101 Arch Street, Suite 610
Boston, MA 02110
Ph: (617) 235-2315
Email: membership@boxregulation.com

AGREEMENT dated _____, 20_, by and between BOX Exchange LLC (the “Exchange”), a Delaware limited liability company, and _____ (“User”), collectively referred to herein as the “parties.”

WHEREAS, the Exchange operates an electronic market for the trading of Securities (the “BSTX Market”), which is a national securities exchange pursuant to Section 6(a) of the Securities Exchange Act of 1934; and

WHEREAS, provided that User is an approved BSTX Participant in good standing with the Exchange and has paid the requisite fees, the Exchange will provide User with access to the BSTX Market pursuant to these general terms and conditions.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants in this Agreement, the parties hereto agree as follows:

1. TERM.

This Agreement is for the term of one year from the date of execution and is automatically renewed on an annual basis unless cancelled by either party pursuant to the terms of this Agreement.

2. EXCHANGE RULES.

(a) **Compliance with the Exchange Rules.** User agrees that it will abide by the Rules of the Exchange, applicable Bylaws and Circulars, as amended from time to time, and all circulars, notices, interpretations, directives or decisions adopted by the Exchange and BSTX as a facility of the Exchange (collectively “Exchange Rules”), all applicable federal and state laws and regulations, and the rules and regulations of any applicable self-regulatory organization. User will familiarize all Authorized Persons with all of the User’s obligations under this Agreement and the Exchange Rules, and will assure that they

EXHIBIT 3C

receive appropriate training prior to any use or access to the BSTX Market and System.

(b) **Monitoring.** User acknowledges and agrees that the Exchange and BSTX will monitor the use of the BSTX Market by User for compliance with all applicable laws and regulations, including without limitation the Exchange Rules. User acknowledges its responsibility to monitor its employees, agents, and customers for compliance with the Exchange Rules, the rules and regulations of any self-regulatory organization of which User is a member and all applicable federal and state laws and regulations.

(c) **Integrity of BSTX Market.** User will not (i) materially alter the information or data supplied to or received from the System in violation of the Exchange Rules, (ii) materially affect the integrity of the information or data supplied to or received from the system, or (iii) supply or render information or data from the System that is illegal, inaccurate, unfair, uninformative, fictitious, misleading or discriminatory.

(d) **Non-Compliance.** User's right to access the BSTX Market and System may be denied or terminated, temporarily or permanently, forthwith at any time by the Exchange upon a determination that: (i) User or its Authorized Persons are in violation or has violated any material term of the Agreement, the Exchange Rules, the rules and regulations of any self-regulatory organizations of which User is a member, any federal and state laws and regulations; (ii) the User's right to operate is terminated by its self-regulatory organization or by the United States Securities and Exchange Commission; or (iii) the User or its Authorized Person are engaged in activities that the Exchange reasonably determines to be detrimental to the BSTX Market, BSTX Users, or the public.

3. ***RIGHTS AND OBLIGATIONS.***

(a) **BSTX System.** Pursuant to the terms and conditions of this Agreement, User shall have access to certain information, data, access, capabilities, functions, features, and software, which permits User to access and participate in the BSTX Market (collectively, the "System").

(b) **Restriction on Use: Security.** User may not sell, lease, furnish, or otherwise permit or provide access to the System or any information or data made available therein to any other entity or to any individual that is not User's employee or agent. Notwithstanding the foregoing, User may disclose BSTX Market information to its customers provided that such disclosure does not violate BSTX restrictions, any other related market data or transaction reporting restrictions, the Exchange Rules, the rules and regulations of any self-regulatory organizations of which User is a member and all applicable federal and state laws. User will maintain and keep current a list of all employees or agents who are authorized to access the BSTX System on behalf of the User (the "Authorized Persons"). User accepts full responsibility for its Authorized Persons use of the System, which use must comply with the Exchange Rules and the User's obligations under this

EXHIBIT 3C

Agreement. User will take reasonable security precautions to prevent unauthorized use or access to the System. User understands and agrees that User is responsible for any and all orders, trades and other messages and instructions entered, transmitted or received under identifiers, passwords and security codes of User's Authorized Persons, and for the trading and other consequences thereof.

(c) **Fees.** User agrees to make timely payment of all fees payable to the Exchange and third parties arising from User's access to the BSTX Market.

4. CHANGE OF BSTX MARKET.

User acknowledges and agrees that nothing in this Agreement constitutes an understanding by the Exchange to continue the BSTX Market and System or any aspect of its current form. The Exchange may from time to time make additions, deletions or modifications to the BSTX Market or System. User acknowledges and agrees that the Exchange may temporarily or permanently, unilaterally condition, modify, or terminate the right of any individuals or entities to access, receive or use the BSTX Market and System in accordance with the Exchange Rules.

5. PROPRIETARY RIGHTS.

User acknowledges and agrees that all proprietary rights in the BSTX Market and System are and shall remain the property of the Exchange and its third party licensors. User agrees that the Exchange will own all right, title and interest in the quotations and other transaction data and information of the BSTX Market.

6. INFORMATION.

(a) **Confidentiality.** Both parties acknowledge that (i) the BSTX Market and the information and data made available therein, incorporate confidential and proprietary information developed, acquired by or licensed to the Exchange, including confidential information of the Exchange or other entities, and (ii) each party may receive or have access to the other proprietary or confidential information disclosed and marked as confidential by the disclosing party (collectively, the "Information"). The receiving party will use the disclosing party's Information solely to perform its obligations under this Agreement. The receiving party will take all precautions necessary to safeguard the confidentiality of the disclosing party's Information, including without limitation, (i) those taken by the receiving party to protect its own confidential information and (ii) those which the disclosing party may reasonably request from time to time.

(b) **Disclosure.** The receiving party will not disclose, in whole or in part, the disclosing party's information to any person, except as specifically authorized under this Agreement. User may not disclose any data or compilations or data made available to User by the Exchange without the express, prior written authorization of the Exchange. User acknowledges that any and all information provided to the BSTX Market by the User will be disclosed to the Exchange for use in accordance with the Exchange Rules. User hereby consents to such disclosure. The Exchange may also disclose information in

EXHIBIT 3C

accordance with its regulatory obligations.

(c) **Unauthorized Use or Disclosure.** The parties acknowledge that any unauthorized use or disclosure of the disclosing party's Information may cause irreparable damage to the disclosing party. If an unauthorized use or disclosure occurs, the receiving party will immediately notify the disclosing party and take at its expense all steps necessary to recover the disclosing party's information and to prevent its subsequent unauthorized use or dissemination, including availing itself of actions for seizure and injunctive relief. If the receiving party fails to take these steps in a timely and adequate manner, the disclosing party may take them at the receiving party's expense, and the receiving party will provide the disclosing party with its reasonable cooperation in such actions that the disclosing party may request.

(d) **Limitation.** The receiving party will have no confidentiality obligation with respect to any portion of the disclosing party's Information that (i) the receiving party independently developed before receiving the Information from the disclosing party, (ii) the receiving party lawfully obtained from a third party under no obligation of confidentiality, (iii) is or becomes available to the public other than as a result of an act or omission of the receiving party or any of its employees or (iv) the receiving party is compelled to disclose pursuant to legal process provided by a court of competent jurisdiction or other governmental entity to whose jurisdiction the receiving party is subject.

7. DISCLAIMER OF WARRANTY.

THE BSTX MARKET AND SYSTEM ARE MADE AVAILABLE "AS IS" AND WITHOUT WARRANTY OR ANY KIND, WHETHER EXPRESS, IMPLIED, STATUTORY, OR OTHERWISE (INCLUDING, BUT NOT LIMITED TO ANY WARRANTY OF TIMELINESS, TRUTHFULNESS, SEQUENCE, COMPLETENESS, ACCURACY, FREEDOM FROM ERRORS OR INTERRUPTION OR DEFECT, MERCHANTABILITY, FITNESS FOR PARTICULAR USE OR PURPOSE, OR NON-INFRINGEMENT AND ANY IMPLIED WARRANTIES ARISING FROM TRADE USAGE, COURSE OF DEALING OR COURSE OF PERFORMANCE).

8. LIMITATION OF LIABILITY.

EXHIBIT 3C

USER UNDERSTANDS AND AGREES THAT : (i) THE EXCHANGE IS NOT DIRECTLY OR INDIRECTLY A PARTY TO OR PARTICIPANT IN ANY TRADE OR TRANSACTION ENTERED INTO OR OTHERWISE CONDUCTED THROUGH THE BSTX MARKET, AND (ii) THE EXCHANGE IS NOT LIABLE IN ANY MANNER TO ANY PERSON (INCLUDING WITHOUT LIMITATION THE USER AND ANY PERSON FOR WHOM THE USER IS AUTHORIZED TO TRADE OR ACT) FOR THE FAILURE OF ANY PERSON ENTERING INTO A TRADE OR TRANSACTION BY MEANS OF THE BSTX MARKET TO PERFORM SUCH PERSON'S SETTLEMENT OR OTHER OBLIGATIONS UNDER SUCH TRADE OR TRANSACTION. IF THIS PROVISION SHALL BE DEEMED TO CONFLICT WITH ANY OTHER PROVISION OF THIS AGREEMENT, THEN THIS PROVISION SHALL SUPERSEDE SUCH OTHER PROVISION.

9. INDEMNIFICATION.

USER AGREES TO INDEMNIFY, DEFEND AND HOLD THE EXCHANGE, ITS AFFILIATES, THEIR RESPECTIVE OFFICERS, DIRECTORS, AGENTS, OR EMPLOYEES HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS, DEMANDS, LOSSES, COSTS, AND EXPENSES, OBLIGATIONS, LIABILITIES, DAMAGES, RECOVERIES, AND DEFICIENCIES, INCLUDING INTEREST, PENALTIES, AND ATTORNEY'S FEES, ARISING FROM OR AS A RESULT OF USER'S BREACH OF ITS OBLIGATIONS UNDER THIS AGREEMENT OR OTHERWISE FROM ITS USE OF THE BSTX MARKET OR SYSTEM.

10. TERMINATION.

Notwithstanding any other provision of this Agreement to the contrary: (i) the Exchange may terminate this Agreement if the User breaches any material term of the Agreement and fails to cure such breach within ten (10) days after written notice thereof from the Exchange; and (ii) the Exchange may suspend User's access to the System immediately, on written notice to the User, if the Exchange reasonably believes that such breach or activity poses substantial risk to the BSTX Market or its users. Such action shall be instituted under, and governed by, the Exchange Rule 11000 Series (Summary Suspensions) and Rule 12000 Series (Discipline) and may be appealed by the User under the Exchange Rule 13000 Series regarding Review of Certain Exchange Actions. The User may terminate this Agreement upon providing the Exchange thirty days' notice in writing. Upon termination of this Agreement for any reason, all rights granted to User hereunder will cease. In no event will termination of this Agreement relieve User of any obligation incurred through its use of the BSTX Market. The provisions of Sections 5, 6, 8, and 9 will survive the termination or expiration of this Agreement for any reason.

11. ASSIGNMENT.

EXHIBIT 3C

User shall not assign, delegate, or otherwise transfer this Agreement or any of its rights or obligations hereunder without the Exchange’s prior approval. The Exchange may assign or transfer this Agreement or any of its rights or obligations hereunder to a related or unrelated party upon notice to User.

12. MISCELLANEOUS.

All notices or approvals required or permitted under this Agreement must be given in writing to the address specified above. Any waiver or modification of this Agreement will not be effective unless executed in writing and signed by the other party. The substantive laws of the Commonwealth of Massachusetts shall govern this Agreement. All disputes, claims or controversies between the parties related to User’s use of the BSTX Market shall be resolved in accordance with the applicable Exchange Rules, all applicable federal and state laws and regulations, and the rules and regulations of any applicable securities self-regulatory organization. All non-regulatory disputes, claims or controversies between the parties related to the interpretation of this Agreement shall be submitted to arbitration pursuant to the rules of the American Arbitration Association; provided, however, that nothing herein will prevent the Exchange from seeking interim injunctive relief in any court of competent jurisdiction. If any provision of this Agreement is to be held unenforceable, in whole or in part, such holding will not affect the validity of the other provisions of this Agreement. This Agreement, together with the applicable Exchange Rules constitutes the complete and entire statement of all conditions and representations of the agreement between the Exchange and User with respect to its subject matter and supersedes all prior writings or understandings.

Agreed to as of this _____ day of _____, 20_.

User

BOX Exchange LLC

(Company Name)

By: _____
(Signature)

(Name and Title)

(Street Address)

(City, State & Zip Code)

EXHIBIT 3E



**BSTX PARTICIPANT CLEARING
AUTHORIZATION (NON-MARKET MAKER)**

Clearing Member

BSTX Executing Participant

In connection with the qualification of the above referenced BSTX Executing Participant on the BOX Exchange LLC (the "Exchange"), the undersigned carrying broker-dealer of a registered clearing agency ("Clearing Member") accepts financial responsibility for all transactions on the Exchange made by the above named BSTX Executing Participant.

The Clearing Member guarantees and assumes financial responsibility for such transactions on the Exchange even if the orders, bids, offers, or other messages transmitted to the Exchange by the BSTX Executing Participant (i) were entered as a result of a failure in applicable security and/or credit controls, (ii) were entered by an unknown or unauthorized user, or (iii) exceed the Clearing Member's credit parameters.

This letter shall be deemed a letter of guarantee, letter of authorization, or notice of consent pursuant to Exchange rules and may be relied upon by the Exchange. This letter shall remain in effect until a written notice of revocation has been filed with the Exchange. The Clearing Member shall submit a written notice of revocation to the Exchange, and advise the Exchange's contact person by telephone of the revocation. Upon receipt of such notice, the Exchange shall cancel/purge any unexecuted/pending orders and prevent any new orders from being sent. Such a revocation notice shall be deemed filed and effective when an email is sent by the Clearing Member to the email address designated by the Exchange, and the Exchange confirms that the BSTX Participant has been suspended in the system. A revocation shall in no way relieve the Clearing Member of responsibility for transactions guaranteed prior to the effective time of such revocation.

Name of Authorized Signatory of Clearing Member

Title

Signature of Authorized Signatory of Clearing Member

Date

Email and Phone Number

EXHIBIT 3F



**BSTX PARTICIPANT CLEARING AUTHORIZATION
(MARKET MAKER)**

Clearing Member

BSTX Participant

The BSTX Participant mentioned above has represented to the undersigned member of a registered clearing agency (“Clearing Member”), that it is a registered BSTX Participant of BOX Exchange LLC (the “Exchange”) with full trading rights including trading for its own account, acting as Market Maker and submitting and executing orders as agent on behalf of customers.

Pursuant to the trading of the above referenced BSTX Participant, the undersigned Clearing Member accepts financial responsibility for all transactions made by the above-referenced BSTX Participant when executing such transactions through the undersigned Clearing Member.

This letter shall be deemed a letter of guarantee, letter of authorization, or notice of consent pursuant to Exchange rules and may be relied upon by the Exchange. This letter shall remain in effect until a written notice of revocation has been filed with the Exchange. The Clearing Member shall submit a written notice of revocation to the Exchange, and advise the Exchange’s contact person by telephone of the revocation. Upon receipt of such notice, the Exchange shall cancel/purge any unexecuted/pending orders and prevent any new orders from being sent. Such a revocation notice shall be deemed filed and effective when an email is sent by the Clearing Member to the email address designated by Exchange, and the Exchange confirms that the BSTX Participant has been suspended in the system. A revocation shall in no way relieve the Clearing Member of responsibility for transactions guaranteed prior to the effective time of such revocation.

Name of Authorized Signatory of Clearing Member

Title

Signature of Authorized Signatory of Clearing Member

Date

Email and Phone Number



Draft
 Final

BOX EXCHANGE ORIGINAL LISTING APPLICATION FOR SECURITIES LISTED ON THE BSTX MARKET

Instructions: Please complete each part of the form and return to BOX Exchange LLC to list Securities on the BSTX Market.

Part I: Corporate Information

A. General Corporate Information

Complete Legal Corporate Name: _____

Address of Principal Executive Offices: _____

Company Telephone No.: _____

Contact Name and Title: _____

Contact Telephone No.: _____ Contact Email: _____

State and Country of Incorporation: _____

Date of Incorporation: _____

EDGAR CIK No.: _____

SEC '34 Act File No.: _____

Foreign Private Issuer (yes/no): _____

EXHIBIT 3G

Website address: _____

SIC Code: _____

CUSIP No. of Security(s) Being Listed: _____

Date of Fiscal Year End: _____

B. Corporate Contacts

Please list the full name, full title (if different from that indicated), address (if different from principal address above), telephone number and email address of the following individual(s):

Chief Executive Officer: _____

Chief Financial Officer: _____

Corporate Secretary: _____

General Counsel: _____

Investor Relations Officer: _____

Other Designated Contact: _____

Part II:
Security
Information

A. Security which the Applicant Issuer is applying to list (including par/stated value, warrant expiration date, maturity date, etc.):

Security Class/Type	Issue Description (incl. par value)	Securities Outstanding or Offered	Total Securities Unissued, but Reserved for issuance*

EXHIBIT 3G

*As of _____ (date), the following number of Securities are unissued, but have been authorized for issuance by the Applicant Issuer’s governing body for the purposes noted:

Date Authorized	Purpose of Securities to be Issued	Number of Securities Authorized

* Please note that Exchange’s Rules require that, at such date in the future that any currently unissued but authorized Securities are issued, the Applicant Issuer must file a supplemental listing application to list such Securities.

Record date of the most recent dividend paid with respect to the Securities:

Payment date of the most recent dividend paid with respect to the Securities:

Amount per Security of the most recent dividend paid with respect to the Securities:

Are there any declared but unpaid dividends with respect to the Securities:

What is the record date for any such unpaid dividend:

What is the payment date of any such unpaid dividend:

EXHIBIT 3G

What is the amount per Security of any such unpaid dividend:

Provide a description of any outstanding rights to subscribe to Securities:

If a record date is to be set in the near future for any purpose, please provide the anticipated date of the record date and the reason the record date is being established.

B. Transfer Agent/Registrar:

Name: _____

Address: _____

Phone No.: _____ Facsimile No.: _____ Email: _____

C. Outside Counsel Contact with Respect to Listing Application, if any:

Name of Contact Person: _____

Firm Name: _____

Address: _____

Phone No.: _____ Email: _____

D. Security Preferences

If the Applicant Issuer has any existing class of common stock or equity security entitling the holder(s) to differential voting rights, dividend payments, or other preferences, please provide a complete description of such preference(s): _____

EXHIBIT 3G

**Part III: Type
of Security
Listing**

A. Listing in Connection with an Issuance of Securities on the BSTX Market

Please indicate the type of transaction:

- Initial Security Offering Merger Spin-off
- Follow On Offering Reorganization
- Exchange Offer Conversion
- Other (please specify): _____

If spin-off, please provide name of parent entity: _____

Will the Security to be listed trade on a “when issued” basis? Yes

No Expected closing date of the transaction: _____

Expected listing date: _____

Investment Banker/Financial Advisor Contact(s), if any

Name of Contact Person: _____

Firm Name: _____

Address: _____

Phone No.: _____ Email: _____

B. Listing in Connection with a Transfer or Quotation

Name of current trading market, if any: _____

Current ticker symbol, if any: _____

Part IV: Additional Information

A. Exchange Requirements for Listing Consideration

EXHIBIT 3G

To be considered for listing, the Applicant Issuer must meet the Exchange's minimum listing requirements. The Exchange has broad discretion regarding the listing of any Security. Thus, the Exchange may deny listing or apply additional or more stringent criteria based on any event, condition, or circumstance that makes the listing of an Applicant Issuer's Security inadvisable or unwarranted in the opinion of the Exchange. Such determination can be made even if the Applicant Issuer meets the Exchange's listing standards for listing on the BSTX Market. In connection with the review of any listing application, the Exchange reserves the right to request such additional public or non-public information or documentation as it may deem necessary and appropriate to make a determination regarding the listing eligibility of the Applicant Issuer's Security, including, but not limited to, any material provided to or received from the Securities and Exchange Commission or other appropriate regulatory authority.

B. Regulatory Review

The Applicant Issuer must provide the Exchange with a letter signed by an executive officer of the company, certifying that, to the company's knowledge, no officer*, board member, or non-institutional shareholder with greater than 10% ownership of the company has been convicted of a felony or misdemeanor relating to financial issues (e.g., embezzlement, fraud, theft) during the past ten years. To the extent that an officer, board member, or non-institutional shareholder with greater than 10% ownership of the company has been so convicted, provide a detailed description of all such matters. In addition to reviewing this letter, the Exchange will review background materials available to it regarding the aforementioned individuals as part of the eligibility review process.

*As such term is defined in Rule 16a-1(f) under the Securities Exchange Act of 1934, or any successor rule.

EXHIBIT 3G

Part VI: Attestation

I, _____, as _____ of
Name of Authorized Executive Officer Title of Authorized Executive Officer

_____, do hereby
Full Name of Company

attest that, at the time of the filing of this application, the Applicant Issuer is deemed to have read and understood the Exchange’s listing and corporate governance rules and requirements and, if approved for listing, intends to comply with all applicable listing and corporate governance rules and requirements on an ongoing basis. Further, I certify that to the best of my knowledge and belief, the information contained within this application and any materials provided to the Exchange in support of this application are true and correct.

Signature of Authorized Executive Officer

Date



ADDITIONAL LISTING APPLICATION FOR THE BSTX MARKET

Section I Company and Issue Description

Company Name: _____
 Address: _____
 City, State, Zip Code: _____
 Company Contact – Name and Title: _____
 Telephone #: _____
 E-mail: _____
 Listed Security: _____ Trading Symbol: _____
 Total Securities issued and outstanding: _____ as of _____
 Securities held in treasury: _____ as of _____

Section II Transaction Details

The Company hereby makes application to BOX Exchange LLC for the additional listing of the following Securities on the BSTX Market:

Securities ¹	Purpose ²	Date of Board Authorization	Date of Shareholder Authorization (if applicable)	Anticipated Date of Issuance

¹ For a forward Security split or Security dividend, make application for the difference between the Securities issued and outstanding (i) prior to the split/dividend and (ii) after the split/dividend. (Note: any Securities listed in Line 2 of the Reconciliation Sheet will automatically be affected by the factor of the split/dividend.) For listing of any ad hoc Securities in connection with a dividend payment on a preferred Security (or notes), those Securities should be listed in the Securities column. For any substitution listing (e.g., reverse split, reincorporation or reorganization) the Securities should be listed as "N/A".

² For example, acquisition, private placement, option plan, Security split, inducement grant, etc.

EXHIBIT 3H

	Total Securities			

Section III Insider Participation and Future Potential Issuances

Does any Director, Officer or principal shareholder of the Company have a direct or indirect interest in transactions? Yes No

Does the transaction potentially require the Company to issue any Securities in the future above the amount currently applied for? (For example for an earn-out, price protection, or reset provision.)

Yes No

** If yes provide complete details in the space below of such insider interest along with Audit Committee minutes (if applicable) and/or of such future potential issuance(s).*

Section IV Information for a Technical Original Listing³

Check all applicable categories

Effective Date

Reverse Security Split Ratio of _____ -for- _____

Change in state of incorporation from _____ to _____

Other (please describe briefly)

Does the transaction require the turn-in of listed Securities? Yes No

³ Technical Original Listing is a change in the company's status technical in nature and the shareholders of the original company receive or retain a Security-for-Security interest in the new company without any change in their equity position or rights.

EXHIBIT 3H

Section V Information for a Forward Security Split or Security Dividend

Forward Security Split Ratio: _____ -for- _____

Or

Security Dividend per Security: _____ %

Record Date: _____ Payment Date: _____

Complete the Reconciliation Sheet for any forward or reverse Security or Security dividend (See attached Appendix A).

Section VI Attachments and Signature

The following Company documents are incorporated by reference into this Additional Listing Application. If any such documents are filed via EDGAR, then indicate under what cover they are filed, the filing date and the exhibit number:

- 1. _____
- 2. _____
- 3. _____
- 4. _____
- 5. _____
- 6. _____
- 7. _____
- 8. _____
- 9. _____
- 10. _____

The Company hereby applies for the listing of the above mentioned additional Securities and the undersigned hereby certifies that the statements made herein, and the papers and exhibits submitted in support hereof are, to the best of such person’s knowledge and belief, true and correct.

Name: _____

Title: _____

Date Submitted: _____

Signature: /s/ _____

Appendix A Reconciliation for Technical Original Listing

EXHIBIT 3H

Complete the following table with listed and unlisted Security amounts. Use estimates where needed to account for option exercises, etc. between the record date and the effectiveness of the split, dividend or substitution.

1. Securities issued and outstanding after the technical original event: _____

Listed Reserves previously approved for listing on the BSTX Market by BOX Exchange LLC

Include Security underlying option plans, warrants, or other convertible instruments that have been previously approved for listing on the BSTX Market by BOX Exchange LLC. Derivatives previously exercised (or partially exercised) should be netted out since they are included in line 1.

Purpose	Amount Before Technical Original	Amount After Technical Original

2. Total Listed Reserves after Technical Original: _____

3. Add lines 1 and line 2 together: _____

Unlisted Reserves not yet approved by BOX Exchange LLC:

If the Company has not yet listed Securities reserved for future issuance (e.g., Securities underlying newly created option plans, warrants or other convertible instruments), please complete the following table.

Purpose	Amount Before	Amount After

4. Total Unlisted Reserves after Technical Original: _____

5. Total authorized for issuance by the Company (add lines 3 and 4): _____

EXHIBIT 3I



CHECKLIST FOR ORIGINAL LISTING APPLICATION

Company: _____

- ___ Listing Application
- ___ Listing Agreement
- ___ Corporate Governance Affirmation
- ___ BSTX Security Design Affirmation
- ___ Underwriter's Letter (for Initial Security Offering)
- ___ SEC Form ___ (8-A, 10, 40-F, 20-F)
- ___ Other: _____

EXHIBIT 3J



BSTX MARKET LISTING AGREEMENT

____ (the "Company"), in consideration of the listing of its Securities (as defined in the BSTX Rules) on the BSTX Market, hereby agrees, with BOX Exchange LLC (the "Exchange") that:

- (1) The Company certifies that it will comply with all Exchange rules, policies, and procedures that apply to listed companies as they are now in effect and as they may be amended from time to time, regardless of whether the Company's organization documents would allow for a different result.
- (2) The Company shall notify the Exchange at least 20 days in advance of any change in the form or nature of any listed Securities or in the rights, benefits, and privileges of the holders of such Securities.
- (3) The Company understands that the Exchange may remove its Securities from listing on the BSTX Market, pursuant to applicable procedures, if it fails to meet one or more requirements of Paragraphs 1 and 2 of this agreement.
- (4) In order to publicize the Company's listing on the BSTX Market, the Company authorizes the Exchange to use the Company's corporate logos, website address (URL): ____, trade names, and trade/service marks in order to convey quotation information, transactional reporting information, and other information regarding the Company in connection with the Exchange. In order to ensure the accuracy of the information, the Company agrees to provide the Exchange with the Company's current corporate logos, Web site address, trade names, and trade/service marks and with any subsequent changes to those logos, trade names and marks. Questions regarding logo usage should be directed to: ____ at (____) ____ - ____.

The Company indemnifies the Exchange and holds it harmless from any third-party rights and/or claims arising out of use by the Exchange or, any affiliate or facility of the Exchange ("Corporations") of the Company's corporate logos, website address, trade names, trade/service marks, and/or the trading symbol used by the Company.

- (5) The Company warrants and represents that the trading symbol to be used by the Company does not violate any trade/service mark, trade name, or other intellectual property right of any third party. The Company's trading symbol is provided to the Company for the limited purpose of identifying the Company's Security in authorized quotation and trading systems. The Exchange reserves the right to change the Company's trading symbol at the Exchange's discretion at any time.
- (6) The Company agrees to furnish to the Exchange on demand such information concerning the Company as the Exchange may reasonably request.
- (7) The Company agrees to pay when due all fees associated with its listing of Securities on the BSTX Market, in accordance with the Exchange's Rules.
- (8) The Company agrees to file all required periodic financial reports with the SEC, including annual reports and, where applicable, quarterly or semi-annual reports, by the due dates established by the SEC.

Exchange Warranties; Disclaimers of Warranties. For any goods or services provided to Company, the Exchange shall endeavor to provide them in a good and workmanlike manner. Beyond the warranties stated in this section, there are no other warranties of any kind, express, implied or statutory (including the implied warranties of merchantability or fitness for a particular use or purpose).

LIMITATION OF CORPORATIONS' LIABILITY:

EXHIBIT 3J

- (1) In no event will the Corporations be liable for trading losses, losses of profits, indirect, special, punitive, consequential, or incidental loss or damage, even if the Corporations have been advised of the possibility of such damages.
- (2) If the Corporations are held liable, the liability of the Corporations is limited:
 - (a) for goods and services for which the Company is specifically charged, to the amount paid by Company for those goods or services during the twelve months preceding the accrual of the claim; and
 - (b) in all other instances, to the amount of the annual listing fee paid by the Company during the twelve months preceding the accrual of the claim.
- (3) For goods and services provided under a separate written agreement, the limitation of liability provisions in that agreement shall govern any claims relating to or arising from the provision of those goods and services.
- (4) This subsection shall not relieve the Corporations from liability for damages that result from their own gross negligence or willful tortious misconduct, or from personal injury or wrongful death claims.
- (5) The Corporations shall not be liable for any third parties' goods or services.
- (6) The Company agrees that these terms reflect a reasonable allocation of risk and limitation of liability.

I have been authorized by the Company and have the legal authority to provide information on the Company's behalf; to the best of my knowledge and belief, the information provided is true and correct as of this date; and the Company will promptly notify the Exchange of any material changes.

By: _____
SIGNATURE OF DULY AUTHORIZED REPRESENTATIVE

Dated: _____
PLEASE PRINT NAME AND TITLE

EXHIBIT 3K



BSTX Market Company Corporate Governance Affirmation

Company Name: _____

Symbol: _____

Type of Affirmation: Initial¹ Annual

Notice of Non-compliance: Yes²

No Part I.

INSTRUCTIONS: Please provide BOX Exchange LLC with the following information for each director currently serving, or who will be serving as of the day of listing on the BSTX Market, on the Company’s board of directors. Please indicate with a “√” whether a director serves on the Company’s audit committee, compensation committee or nominating committee. Please include an asterisk (*) next to the name of each director that has been deemed independent for purposes of Rule 10A-3 (“Rule 10A-3”) of the Securities Exchange Act of 1934 (the “Exchange Act”) and service on the Company’s audit committee.

	<u>Director Name</u>	<u>Board Class</u>	<u>Term Ends</u>	<u>Rule 26803A Ind. (Y/N)</u>	<u>AC</u> ³	<u>CC</u> ⁴	<u>NC</u> ⁵
<u>1</u>							
<u>2</u>							
<u>3</u>							
<u>4</u>							
<u>5</u>							
<u>6</u>							
<u>7</u>							
<u>8</u>							
<u>9</u>							
<u>10</u>							
<u>11</u>							
<u>12</u>							

¹ Companies that are submitting an Initial Affirmation must be compliant in all areas, subject to applicable transition period
² If this document is serving as a non-compliance notification to the Exchange it must be executed by the Company’s CEO.
³ Serves on the Audit Committee
⁴ Serves on the Compensation Committee
⁵ Serves on the Nominating/Corporate Governance Committee

EXHIBIT 3KPart II.

INSTRUCTIONS: Please check only one box that best describes the Company:

- Lists equity Securities on the BSTX Market and does not fit any of the other categories listed below
- Qualifies as a controlled company
- Is a limited partnership
- Is in bankruptcy
- Is a smaller reporting company

Part III.

INSTRUCTIONS: Companies listed on the BSTX Market must comply with the corporate governance requirements set forth in the Rule 26800 Series of the Exchange's Rulebook. In response to each item below, please check the box beside the single affirmation that is most applicable to the Company. Please note that, depending on the affirmation made, an item may require the Company to provide additional information or a link to the applicable document referenced therein. Please also note that specific types of entities may avail themselves of exemptions to, or transition periods for, compliance with certain of the requirements. If the Company is availing itself of any of these exemptions or transition periods, it should select the corresponding affirmation for the applicable item.

1. Director Independence: Rule 26802(a) and Rule 26803A

- I hereby certify that the Company's board of directors is comprised of a majority of independent directors as required by Rule 26802(a) and defined in Rule 26803A.
- For smaller reporting companies only:** I hereby certify that the Company qualifies as a smaller reporting company under Rule 12b-2 of the Exchange Act and its board of directors is comprised of at least 50% independent directors as required by Rule 26802(a) and defined in Rule 26803A.
- For companies relying on the transition period provided for in Rule 26809:** I hereby certify that the Company is entitled to rely, and is relying, on the one year transition period provided for in Rule 26809. I further hereby certify that the Company's board of directors will be comprised of a majority of independent directors as required by Rule 26802(a) and defined in Rule 26803A (or 50% independent in the case of a smaller reporting company as required by Rule 26801(h)) by the end of the one year transition period.
- For limited partnerships, controlled companies, and companies that are in bankruptcy only:** I hereby certify that the Company is exempt from this requirement.
- The Company is unable to make one of the affirmations set forth in this Item 1 and is therefore non-compliant for the following reason: _____
-

EXHIBIT 3K2. Board of Directors Meetings / Executive Sessions: Rule 26802(c)

- I hereby certify that the Company's Board of Directors meets (or will meet, in the case of an Initial Affirmation) on at least a quarterly basis. I further hereby certify that the independent directors have, or will have (in the case of an Initial Affirmation), regularly scheduled meetings as often as necessary to fulfill their responsibilities, including at least annually in executive session without the presence of non-independent directors and management as required by Rule 26802(c).
- The Company is unable to make one of the affirmations set forth in this Item 2 and is therefore non-compliant for the following reason: _____
- _____
- _____

3. Nominating Committee: Rule 26804

- I hereby certify that board of director nominations are selected, or recommended for the board's selection, by either a nominating committee comprised solely of independent directors or by a majority of the independent directors in conformity with Rule 26804(a) and that the Company has adopted a formal written charter or board resolution, as applicable, addressing the nominations process and such related matters as may be required under the federal securities laws.
- For companies relying on the transition period provided for in Rule 26809:** I hereby certify that the Company is entitled to rely, and is relying, on the transition period provided for in Rule 26809 and that the Company will be in full compliance at the end of the transition period. I further hereby certify that the Company's nominating committee (or board of directors) has a written charter or board resolution that meets the requirements of Rule 26804.
- For companies relying on the exception provided for in Rule 26804(b):** I hereby certify that board of director nominations are selected, or recommended for the board's selection, by either a nominating committee comprised solely of independent directors or by a majority of the independent directors in conformity with Rule 26804(a) and that the Company has adopted a formal written charter or board resolution, as applicable, addressing the nominations process and such related matters as may be required under the federal securities laws. I further hereby certify that the Company is entitled to rely, and is relying, on the exception provided for in Rule 26804(b) and the board has made, or will make, the requisite disclosures of its reliance on the exception provided for in Rule 26804(b).
- For limited partnerships, controlled companies, and companies that are in bankruptcy only:** I hereby certify that the Company is exempt from this requirement.
- The Company is unable to make one of the affirmations set forth in this Item 3 and is therefore non-compliant for the following reason: _____
- _____
- _____
- _____

EXHIBIT 3K4. Compensation Committee: Rule 26805

- I hereby certify that the compensation of the Company's officers is determined, or recommended to the board for determination, either by a compensation committee comprised of independent directors or by a majority of the independent directors on its board of directors in conformity with Rule 26805(a). I further hereby certify that the board has affirmatively determined that *all* of the members of the compensation committee or, in the case of a company that does not have a compensation committee, *all* of the independent directors, are independent under Rule 26805(c)(1).
- For smaller reporting companies only:** I hereby certify that the compensation of the Company's officers is determined, or recommended to the board for determination, either by a compensation committee comprised of independent directors or by a majority of the independent directors on its board of directors in conformity with Rule 26805(a). I further hereby certify that the Company qualifies as a smaller reporting company under Rule 12b-2 of the Exchange Act and is therefore exempt from compliance with the independence requirements set forth in Rules 26805(c)(1) and 26805(c)(4).
- For smaller reporting companies relying on the exception provided for in Rule 26805(b):** I hereby certify that the compensation of the Company's officers is determined, or recommended to the board for determination, either by a compensation committee comprised of independent directors or by a majority of the independent directors on its board of directors in conformity with Rule 26805(a), subject to the exception provided for in Rule 26805(b). I further hereby certify that the Company is entitled to rely, and is relying, on the exception provided for in Rule 26805(b) and that the board has made, or will make, the requisite disclosures of its reliance on the exception provided for in Rule 26805(b).
- For companies relying on the transition period provided for in Rule 26809:** I hereby certify that the Company is entitled to rely, and is relying, on the transition period provided for in Rule 26809 and that the Company will be in full compliance at the end of the transition period.
- For limited partnerships, controlled companies, and companies that are in bankruptcy only:** I hereby certify that the Company is exempt from this requirement.
- The Company is unable to make one of the affirmations set forth in this Item 4 and is therefore non-compliant for the following reason: _____

5. Audit Committee: Rule 26803B

- I hereby certify that (i) the Company has an audit committee of at least three members, each of whom satisfies the independence standards specified in Rule 26803A and Rule 10A-3 of the Exchange Act (or is exempt therefrom) in conformity with Rule 26803B and (ii) such audit committee has a written charter that meets the requirements of Rule 26803B(1). I further hereby certify that (i) each member of the audit committee is able to read and understand fundamental financial statements, (ii) at least one member of the audit committee is "financially sophisticated" as described in Rule 26803B(2)(iii), (iii) no audit committee member has participated in the preparation of the financial statements of the Company or any current subsidiary thereof within the past three years, and (iv) the audit committee meets on at least a quarterly basis.
- For smaller reporting companies only:** I hereby certify that (i) the Company has an audit committee of at least two members, each of whom satisfies the independence standards specified in Rule 26803A and Rule 10A-3 of the Exchange Act (or is exempt therefrom) in conformity with Rule 26803 and (ii) such audit committee has a written charter that meets the requirements of Rule 26803B(1). I further hereby certify that (i) each member of the audit committee is able to read and understand fundamental financial statements, (ii) at least one member of the audit committee is "financially sophisticated" as described in Rule 26803B(2)(iii), (iii) no audit committee member has participated in the preparation of the financial statements of the Company or any current subsidiary thereof within the past three years, and (iv) the audit committee meets on at least a quarterly basis.
- For companies that are relying on the exception provided for in Rule 26803B(2)(b) (not available to**

EXHIBIT 3K

those that are smaller reporting companies): I hereby certify that the Company has an audit committee of at least three members, each of whom satisfies the independence standards specified in Rule 26803A and Rule 10A-3 of the Exchange Act (or is exempt from) in conformity with Rule 26803B, subject to the exception provided for in Rule 26803B(2)(b). The Company’s audit committee has a written charter that meets the requirements of Rule 26803B(1). The board has made, or will make, the requisite disclosures of its reliance on the exception provided for in Rule 26803B(2)(b). I further hereby certify that (i) each member of the audit committee is able to read and understand fundamental financial statements, (ii) at least one member of the audit committee is “financially sophisticated” as described in Rule 26803B(2)(iii), (iii) no audit committee member has participated in the preparation of the financial statements of the Company or any current subsidiary thereof within the past three years, and (iv) the audit committee meets on at least a quarterly basis.

For companies relying on the transition period provided for in Rule 26809: I hereby certify that the Company is entitled to rely, and is relying, on the transition period provided for in Rule 26809 and that the Company will be in full compliance by the end of the transition period. I further hereby certify that the audit committee has a written charter that meets the requirements of Rule 26803B(1). I further hereby certify that (i) each member of the audit committee is able to read and understand fundamental financial statements, (ii) at least one member of the audit committee is “financially sophisticated” as described in Rule 26803B(2)(iii), (iii) no audit committee member has participated in the preparation of the financial statements of the Company or any current subsidiary thereof within the past three years, and (iv) the audit committee meets on at least a quarterly basis.

The Company is unable to make one of the affirmations set forth in this Item 5 and is therefore non-compliant for the following reason: _____

6. For those companies relying on an individual or company exemption from the independence requirements of Rule 10A-3(b)(1) in Item 5, above, please identify and briefly describe the basis for such exemption below. If not relying on any such exemption, please indicate “N/A” below.

7. Code of Conduct and Ethics: Rule 26807

I hereby certify that the Company has adopted a code of conduct and ethics that complies with Rule 26807.

The Company is unable to make one of the affirmations set forth in this Item 7 and is therefore non-compliant for the following reason: _____

8. Other Non-Compliance: The Rule 26800 Series

Apart from any non-compliance specific to the preceding sections, the Company is non-compliant with the Rule 26800 Series for the following reason: _____

EXHIBIT 3K

I am an authorized officer at the Company and have the legal authority to provide the information and make the affirmations contained herein. I hereby certify that all information contained herein is true and correct to the best of my knowledge as of the date hereof.

Name: _____

Title: _____

Date submitted: _____

Telephone number: _____

E-mail address: _____

Signature: /s/ _____

Note: The Company's Chief Executive Officer is required to separately complete and submit the Annual CEO Certification which is not applicable at time of initial listing.

EXHIBIT 3L



SECURITY DESIGN AFFIRMATION FOR THE BSTX MARKET

Company/Issuer Name: _____

Symbol: _____

INSTRUCTIONS: Please provide BOX Exchange LLC with the following information on the Issuer’s Securities that will be listed on the BSTX Market. Pursuant to Exchange Rule 26138, for a Security to be admitted to dealings on the BSTX Market, such Security must meet the requirements of the BSTX Protocol to facilitate the use of tokens representing such Security for purposes of the ancillary recordkeeping process. To verify that an Issuer’s Securities meet the requirements of the BSTX Protocol, the Issuer must fill in the information below.

Are the Company’s tokens ERC-20 compliant? Yes No

If no, please provide more information: _____

Please provide details on all additional restrictions and functionality of the Company’s tokens representing the listed Securities as they relate to the BSTX Protocol:

I am an authorized officer at the Company and have the legal authority to provide the information and make the affirmations contained herein. I hereby certify that all information contained herein is true and correct to the best of my knowledge as of the date hereof. I agree to provide any additional information that may be required for the Exchange to verify that the Company’s Securities meets the requirements of the BSTX Protocol.

Name: _____
Title: _____
Date submitted: _____
Telephone number: _____
E-mail address: _____
Signature: /s/ _____

EXHIBIT 3M



SAMPLE UNDERWRITER’S LETTER

(To be provided on underwriter’s letterhead)

DATE

Mr./Ms. _____
BOX Exchange LLC
101 Arch Street, Suite 610
Boston, MA 02110

Re: _____ (Company Name)

Dear Mr./Ms. :

We are acting as representatives of the underwriters in connection with _____ (the “Company”) Initial Security Offering of (number and issue). We are currently organizing a syndicate to include approximately _____ securities firms to underwrite and distribute the issue.

We understand that the BSTX Market listing criteria of BOX Exchange LLC (the “Exchange”) with respect to a public offering in excess of one million (issue) requires a minimum of 400 public Security holders.

We can assure the Exchange that the distribution of the Company’s (issue) in its Initial Security Offering will satisfy or exceed the distribution requirements described above for listing on the BSTX Market. We will achieve these criteria by using our own retail sales offices, our institutional department, and the underwriting syndicate currently being organized.

We further agree that we will provide written notice (including a list of purchasers) to the Exchange, within five (5) days of the commencement of trading in the Company’s Security, that this requirement has been satisfied.

Very truly yours,

By: _____
SIGNATURE

PLEASE PRINT NAME AND TITLE



BSTX Protocol

BSTX-listed securities (“Security” or “Securities”) are equity securities that are able to use the functionality of distributed ledger or “blockchain” technology to maintain ancillary records of ownership on the Ethereum blockchain.¹ An existing state of Securities ownership on the books and records of market participants is replicated using tokens on the Ethereum blockchain through the automatic operation of a “smart contract.”² The BSTX Protocol (the “Protocol”) is the set of rules and permissible operations of the smart contract that facilitate changes to the ancillary recordkeeping mechanism on the Ethereum blockchain regarding Security ownership. Each Security would have its own smart contract operating pursuant to the Protocol to facilitate this ancillary recordkeeping process.

The discussion below first provides a general background on smart contracts, tokens, and protocols followed by a specific discussion of the Protocol as it will govern the tokens representing each Security (*i.e.*, the smart contract governing the equity security of a BSTX-listed issuer for purposes of facilitating the ancillary recordkeeping mechanism using the Ethereum blockchain).

Smart Contracts

The term “smart contract” is commonly used to describe computer-coded functions in connection with the Ethereum blockchain. An Ethereum smart contract is neither “smart” nor a legal contract in the traditional sense. Smart contracts in this context refer to immutable³ computer programs that run deterministically⁴ in the context of the Ethereum Virtual Machine.⁵ Smart contracts operate within a very limited execution context. They can access their own state, the context of the transaction that called them, and some information about the most recent blocks (*i.e.*, the most recent recording of transactions and other events recorded to the Ethereum blockchain).

¹ The Ethereum blockchain is an open-source, public distributed ledger (*i.e.*, a blockchain) that records certain information relating to the operation of various smart contracts built on Ethereum.

² The Ethereum blockchain is used only as an ancillary recordkeeping mechanism to reflect the number of securities owned by a market participants at a fixed point in time. It will not be used to effect the trading, clearance or settlement of transactions in Securities. Pursuant to the rules of BSTX, Securities are uncertificated equity securities that have been made eligible for services by The Depository Trust Company (“DTC”). DTC would serve as the securities depository for Securities, and confirmed trades on BSTX will be transmitted to National Securities Clearing Corporation (“NSCC”) for clearing such that NSCC would clear the trades through its systems to produce settlement obligations that would be due for settlement between participants at DTC.

³ Smart contracts are immutable in that, once deployed, the code of a smart contract cannot change. Unlike with traditional software, the only way to modify a smart contract is to deploy a new instance.

⁴ Deterministic in this context means that the outcome of the execution of a smart contract is the same for everyone who runs it, given the context of the transaction that initiated its execution.

⁵ The Ethereum Virtual Machine can be understood as a global computer on which smart contracts run.

EXHIBIT 3N

In the context of tokens representing Securities, smart contracts generally may have three components: (i) functions, (ii) configurations; (iii) and events.⁶ Functions describe the basic operations of a smart contract, such as the ability to query a particular address to determine how many Securities belong to that address.⁷ Configurations are attributes of a smart contract that are typically set at the launch of a smart contract, such as designating the name of the smart contract. Events describe the functions of a smart contract that, when executed, result in a log or record being recorded to the Ethereum blockchain, such as the transfer of an asset from one address to another. Not all functions of a smart contract result in a log or record being recorded to the Ethereum blockchain. Smart contracts only run if they are called by a transaction.⁸

Smart contracts can call another smart contract, which can call another contract, and so on. Smart contracts never run “on their own” or “in the background,” but rather lie dormant until a transaction triggers them to carry out a specified operation pursuant to the protocol on which they operate. All transactions execute in their entirety or not at all, regardless of how many smart contracts they call or what those smart contracts do. Only if a transaction successfully executes in its entirety is there an “event” representing a change to the state of the blockchain with respect that transaction. If an execution of a smart contract’s operation fails due to an error, all of its effects (*e.g.*, events) are rolled back as if the transaction never ran.⁹

Tokens

Tokens historically referred to privately issued, special-purpose coin-like items (*e.g.*, laundry tokens or arcade game tokens). In the context of blockchain technology, tokens mean blockchain-based abstractions that can be owned and that represent assets, currency, or access rights. A token on the blockchain used for ancillary recordkeeping of ownership of Securities can be thought of as a digital representation of shareholder equity in a legal entity organized under the authority of state or federal law and that meet BSTX’s listing standards. Having a token attributed to a particular address, however, does not convey ownership of shareholder equity in the issuer because the official records of a Security’s ownership are maintained by participants at DTC.¹⁰

⁶ However, a smart contract need not necessarily have each of these components. Some smart contracts may simply be used to support the functioning of other smart contracts and may not itself result in events being recorded to the Ethereum blockchain.

⁷ An “address” in this context refers to a number that is associated with a particular market participant within the smart contract that can be updated to reflect changes in ownership of tokens.

⁸ The term “transaction” in this context does not refer to an actual securities execution or transaction occurring on BSTX or in the marketplace, but rather to an operation triggering a smart contract to carry out its specified function, which must ultimately originate from a human source.

⁹ A failed transaction (*i.e.*, an attempted operation of a smart contract) is still recorded as having been attempted, but it otherwise has no effect (*e.g.*, as a change in registered ownership on the blockchain as an ancillary record).

¹⁰ Rather, a digital representation of a Security associated with a particular address reflects an ancillary record of Security ownership based on data provided to BSTX by market participants. The records reflected on the Ethereum blockchain regarding Securities may not be current to reflect the most recent transactions in the marketplace and may not reflect ownership by all market participants.

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To create a new token on Ethereum, including for purposes of facilitating ancillary recordkeeping of Security ownership, one must create a new smart contract. The smart contract would be configured to detail, among other things, the name of the issuer and the total supply of the tokens that correspond to the BSTX-listed Security. Smart contracts can be designed to carry out any event that one wants, but using a set standard or protocol allows for participants transacting in those smart contracts to have uniform expectations and functionality with respect to the tokens.

Protocols

A protocol (also sometimes referred to as a “standard” or “protocol standard”) defines the functions, events, configurations, and other features of a given smart contract. The most common protocol used with Ethereum is the ERC-20 protocol, which describes the minimum functions that are necessary to be considered an ERC-20 token. The ERC-20 protocol offers basic functionalities to transfer tokens, obtain account balances, and query the total supply of tokens, among other features. The BSTX Protocol is compliant with the ERC-20 protocol, but adds additional requirements and functionality, as described below.

Ether is the digital currency used to pay fees associated with operating smart contracts (known as “gas”) on the Ethereum network. Payment of gas is required to operate smart contracts because there are costs involved in performing the computations necessary to execute a smart contract and to record any state transitions onto the Ethereum blockchain.

There is an important conceptual distinction between ERC-20 tokens, including tokens used for ancillary recordkeeping purposes of Securities, and ether itself. Where ether is transferred by a transaction that has a recipient address as its destination, token transfers occur within the specific token contract state and have the token smart contract as their destination, not the recipient’s address. The token smart contract tracks balances and issues events to the Ethereum blockchain. In a token transfer,¹¹ no transaction is actually sent to the recipient of the token. Instead, the recipient’s address is added to a map within the token smart contract itself. In contrast, a transaction sending ether to an address changes the state of an address. A transaction transferring a token to an address only changes the state of the token contract, not the state of the recipient address. Thus, an address is not really full of tokens; rather it is the token smart contract that has the addresses and balances associated with each address in it.

BSTX Protocol

BSTX Rule 26138 requires that a BSTX listed company’s Securities must comply with the Protocol to trade on BSTX. The purpose of this requirement is to ensure that all Securities are governed by the same set of specifications and controls that allow for ownership of Securities to be recorded to the Ethereum blockchain using tokens as an ancillary recordkeeping mechanism.

¹¹ A “transfer” in the context of the BSTX Protocol regarding a Security refers to a reallocation of the digital tokens (representing a Security) on the Ethereum blockchain as an ancillary recordkeeping mechanism to reflect corresponding changes in ownership of the Security.

EXHIBIT 3N

The Protocol involves three smart contracts. The Asset Smart Contract is the primary smart contract that contains the balances of tokens associated with each address and carries out the functions necessary to reflect changes in ownership for ancillary recordkeeping purposes. There are two accompanying smart contracts that are called by the Asset Smart Contract in executing operations to facilitate updates to the Ethereum blockchain. The first of these is the Registry Smart Contract (“Registry”), which contains the list of permissioned (or “whitelisted”) addresses, and the second is the Compliance Smart Contract, which includes a variable list of additional compliance related rules that the Asset Smart Contract must comply with in executing operations to facilitate updates to the Ethereum blockchain. Each of these three smart contracts are described in greater detail below:

- (1) Asset Smart Contract – The Asset Smart Contract defines and creates the tokens (*e.g.*, the maximum number of tokens available for a particular issuance) for purposes of the Ethereum blockchain ancillary recordkeeping function and records a list of each BSTX Participant or non-BSTX Participant broker-dealer addresses and the tokens held at each address.
- (2) Registry Smart Contract – The Registry Smart Contract (or “Registry”) defines the permissions available to different types of market participants to perform certain functions. Under the Protocol, there are five different types of market participants connected with the Registry, each with different abilities and permissions (as detailed below):¹² (1) Contract Owner, (2) Custodian, (3) Broker Dealer, (4) Custodial-Account, and (5) Investor. The Registry also contains the list of whitelisted addresses to which tokens may be sent and additional information associated with each address (*e.g.*, whether an address has been suspended).
- (3) Compliance Smart Contract – The Compliance Smart Contract is the set of rules held in a separate smart contract that a token can be configured to abide by to ensure compliance with applicable laws and regulations (*e.g.*, by restricting a movement of tokens to an address that has not been added to the Registry for purposes of the Ethereum blockchain ancillary recordkeeping mechanism). The Compliance Smart Contract can be modified to add or remove applicable rules in light of changes to applicable regulatory requirements.

Each of these three smart contracts work together to facilitate the ancillary recordkeeping mechanism for Securities, represented by tokens on the Ethereum blockchain. The discussion below describes the specific functions and configurations of each.

¹² There are additional roles that are not technically part of the Registry and are instead specific to certain smart contracts. For example, an “Issuer” is an Asset Smart Contract-specific role, as discussed in further detail below. Also, an “Administrator” is a Compliance Smart Contract-specific role that allows such a user to, for example, freeze the transfer of tokens for purposes of the ancillary recordkeeping function under certain circumstances and modify or add compliance rules to govern a token.

EXHIBIT 3N*Asset Smart Contract*

The Asset Smart Contract component of the Protocol sets forth 16 functions, 10 configurations, and six events. The 16 functions of the Asset Smart Contract are as follows:

1. “TotalSupply” – a query function that returns the value of the TotalSupplyTokens configuration, which provides the number of tokens created with respect to any issuance of a particular tokens.
2. “BalanceOf” – a query function that provides the number of tokens held by a given address.
3. “Allowance” – provides a limit to the amount of tokens allowed to be transferred from a given address to another given address when using the TransferFrom function.¹³
4. “HolderAT” – a query function that returns the address of the holders of a token at the time of the query. This function enables an individual to generate a list of every address holding a given token at the time of the query.
5. “IsHolder” – a query function that returns a “yes” or “no” answer to whether a given address holds a token.
6. “IsSuperseded” – a query function that returns a “yes” or “no” answer to whether a given address has been frozen (*i.e.*, canceled, subject to the CancelAndReissue function).
7. “GetSuperseded” – a query function that returns the superseding address (if any) when an address is entered. This function is useful in the context of a lost or forgotten address. For example, if an address has been canceled, this function will return the address that took the place of such canceled address. Entry of a currently active address returns a null set.
8. “SetCompliance” – requires the Asset Smart Contract in executing a transaction to call the Compliance Smart Contract and operate in accordance with and specified requirements set forth in the Compliance Smart Contract (*e.g.*, to not transfer tokens to an address in the Registry that has been frozen for ancillary recordkeeping purposes).
9. “SetRegistry” – requires the Asset Smart Contract to call the Registry, which houses whitelisted addresses and the status (*e.g.*, Custodian) associated with certain address to perform certain functions.

¹³ To ensure that tokens remain compatible with the ERC-20 protocol for ancillary recordkeeping purposes, which is the baseline upon which the BSTX Protocol is built, the Protocol will feature “Allowance,” “TransferFrom,” and “Approve” functions. However, during the initial stages of the operation of the ancillary recordkeeping process, these functions will be disabled for the tokens representing Securities through a rule in the Compliance Smart Contract, as use of these functions may enable transfers to non-whitelisted wallet addresses. However, such functions may be enabled in the future, if appropriate. BSTX will provide notice to BSTX Participants via regulatory circular in advance of such functionality becoming operational as part of the BSTX Protocol.

EXHIBIT 3N

10. “Transfer” – allows for the transfer of tokens for ancillary recordkeeping purposes to other specified, whitelisted addresses, and requires two parameters: the receiver address and the amount of tokens being sent. One use for this function is to allow an address with Investor status to transfer tokens to a Custodian.
11. “TransferFrom” – allows a Contract Owner (described below) to delegate to a separate address the ability to transfer tokens on its behalf.¹⁴
12. “Approve” – allows the owner of an address to approve execution of the TransferFrom function.¹⁵
13. “SetIssuer” – allows a Contract Owner to designate the address of an Issuer of a token representing a BSTX-listed Security.
14. “IssueTokens” – allows an Issuer to issue new tokens representing a BSTX-listed Security for ancillary recordkeeping purposes.
15. “FinishIssuing” – when this function is executed by an Issuer, there may be no additional issuances of a given token.
16. “CancelAndReissue” – in the context of a lost, forgotten, or inaccessible address, this function allows a Contract Owner, Issuer, or Custodian to transfer tokens to an address that previously did not hold a given token and disallows the inaccessible address from holding any amount of such token for ancillary recordkeeping purposes.

The BSTX Protocol allows for the ten configurations discussed below.

1. “Cancellations” – stores information about addresses that enables linking of a particular address to a successor address. When a Contract Owner executes the “CancelAndReissue” function, the Cancellations configuration stores the results.
2. “Balances” – stores records of addresses and their associated balances of a given token and is updated upon a transfer of tokens.
3. “Allowed” – stores records of execution of the “Approved” function.¹⁶
4. “Issuer” – when a Contract Owner confers Issuer status upon a given address using the SetIssuer function, this configuration stores information related to execution of such function. For example, Company ABC may be designated as the Issuer of tokens representing a BSTX-listed Security for ancillary recordkeeping purposes and this configuration stores the appropriate address of Company ABC.

¹⁴ See *id.*

¹⁵ See *id.*

¹⁶ Note that the Allowed configuration will be dormant during the initial stages of ancillary recordkeeping functions because the “Allowance” function is disabled. See *supra* note 13.

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5. “IssuingFinished” – when a Contract Owner or Issuer executes a FinishedIssuing function for a given token representing a BSTX-listed Security for ancillary recordkeeping purposes, this configuration is made active and no new issuances of tokens for such Security may occur.
6. “Compliance” – when a Contract Owner employs the SetCompliance function, the Compliance configuration specifies the particular Compliance Smart Contract(s) to which the token (*i.e.*, Asset Smart Contract) must call upon in executing transactions.
7. “Name” – allows a Contract Owner or Issuer to input and store the name of a token. For example, the tokens representing a BSTX-listed Security may be named “Company ABC Preferred Series A1.”
8. “Symbol” – allows a Contract Owner Issuer to input and store the ticker symbol of a token representing a BSTX-listed Security for ancillary recordkeeping purposes.
9. “Decimals” – if enabled, this configuration would allow for fractional interests in tokens. However, the BSTX Exchange does not allow for fractional share interest in tokens.
10. “TotalSupply” – sums the amount of tokens issued through execution of the “IssueTokens” function for a given BSTX-listed Security for ancillary recordkeeping purposes.

The Asset Smart Contract specifies six events. A description of each of these events is below. As noted, the occurrence of an event generates a record on the Ethereum blockchain that is publicly viewable.

1. “Transfer” – this event records the details of the movement of the digital token representation of a BSTX-listed Security from one address to another, as recorded in the ledger of the Asset Smart Contract for purposes of ancillary recordkeeping.
2. “Approval” – this event records successful execution of the Approve function, which is used in conjunction with TransferFrom, which, as noted, will be disabled initially for tokens.
3. “VerifiedAddressSuperseded” – this type of event occurs when a user successfully executes the CancelAndReissue function; a log of the superseded and replacement addresses is created.
4. “IssuerSet” – this type of event occurs upon successful designation of an Issuer of a token corresponding to a BSTX-listed Security; a log of the Issuer’s address is created.¹⁷
5. “Issue” – this type of event occurs whenever an Issuer successfully executes the “IssueTokens” function; a log of the Issuer’s address and amount of tokens issued pursuant to the most recent execution is created.

¹⁷ Note that once an Issuer has been designated such Issuer may perform the tasks discussed herein.

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6. “IssuerFinished” – this event occurs when an Issuer successfully executes the FinishedIssuing function; a log is created noting that new issuance of a given token can no longer occur.

Registry

To facilitate recording an existing state of ownership of Securities on the Ethereum blockchain using tokens as part of the Exchange’s ancillary recordkeeping function, the Protocol requires that the Asset Smart Contract call the Registry Smart Contract that grants certain permissions to different types of market participants, and the Registry stores the list of whitelisted addresses that may transact in tokens. For example, in the event that an address is lost or otherwise compromised, the “CancelAndReissue” functionality would be employed to facilitate the replacement of the lost digital representation of the tokens on the Ethereum blockchain as an ancillary record of ownership, but only certain permissioned market participants may exercise this function.

The Registry designates five different types of market participants under the Protocol, each of which is discussed below along with their respective permissions. The permissions associated with each market participant are organized as a hierarchy from the most permissive (*i.e.*, can perform the most functions) to the least permissive (*i.e.*, can perform the fewest number of functions). Each type of market participant described below is able to confer statuses below their permissioned level to additional addresses, but never above their status (*e.g.*, a Custodian may confer Broker Dealer status to additional addresses, but may not confer Contract Owner status to an address). The different classes of market participants specified by the Registry are as follows:¹⁸

1. “Contract Owner” – only one individual address can be designated for this role for a given issuance of tokens representing a BSTX-listed Security. This role is specified at the time of token deployment. Among other functions, a Contract Owner confers “Issuer”¹⁹ status to an address and adds/removes whitelisted addresses with “Custodian” status.
2. “Custodian” – multiple addresses may be designated as Custodians of tokens representing a BSTX-listed Security. Custodians may add/remove whitelisted addresses of “Broker Dealer” parties (*e.g.*, introducing brokers) and “Investors.” A Custodian may also temporarily suspend Broker Dealers (and one or more of their respective customers) and Investors from transferring the digital token representations of Securities for purposes of updates to the Ethereum blockchain as an ancillary recordkeeping mechanism. Custodian status would generally be assigned to BSTX Participants that act as a carrying broker-dealer on behalf of other broker-dealers.

¹⁸ For a given token representing a BSTX-listed Security, multiple wallet addresses may function as Broker Dealer, including wallet addresses carrying out other roles in the status hierarchy (*e.g.*, a Custodian may also be a Broker Dealer).

¹⁹ As discussed above, while Issuer status confers privileges onto the owner of a designated wallet address, Issuer status is technically not part of the Registry and is instead a token-specific designation.

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3. “Broker Dealer” – represents an address of an introducing broker who can add/remove whitelisted addresses of “Investors” and direct Custodians to transfer digital token representations of Securities to certain whitelisted parties for purposes of the ancillary recordkeeping mechanism. A Broker Dealer may suspend Investors from transferring tokens for purposes of the ancillary recordkeeping mechanism.²⁰
4. “Custodial-Account” – this is a wallet address established by a Custodian to maintain custody of the digital token representation of Securities on behalf of the Broker-Dealer for purposes of the ancillary recordkeeping mechanism. Custodial-Accounts may only transfer and receive the digital token representations of Securities for purposes of the ancillary recordkeeping mechanism.²¹
5. “Investor” – this status generally applies to individual retail investors who may want their own address. This status confers the least amount of rights to an address. An Investor may only transfer digital token representations of Securities to his/her address (*e.g.*, by requesting that a Broker Dealer or Custodian perform this function) and must transfer the digital token representation of the Securities back to a Custodian in order to trade the Securities in a manner that would allow for updates to the Ethereum blockchain as an ancillary recordkeeping mechanism. For a given token representing a BSTX-listed Security, multiple addresses may function as an Investor.

Compliance Smart Contract

The Compliance Smart Contract is a set of rules that are called upon by an Asset Smart Contract in executing a transaction for purposes of the ancillary recordkeeping function depending on how a token is configured. For example, when the digital token representation of a Security (*i.e.*, Asset Smart Contract) is executing a transaction (*e.g.*, an instruction to move tokens from one address to another to reflect a change in record ownership as an ancillary record), the SetCompliance function requires the token to look to the Compliance Smart Contract that was configured for the token and comply with any rules or requirements therein. One such rule is to require that the token look to the Registry to determine if the transaction is with another whitelisted address for purposes of updates to the Ethereum blockchain as an ancillary recordkeeping mechanism. The rules configured in the Compliance Smart Contract can be tailored to each particular token.

The Compliance Smart Contract might also specify additional Compliance Smart Contracts with which the token must comply. As a result, to the extent a token needs to comply with a new rule of some kind, that new rule can be programmed into an additional Compliance

²⁰ A Broker Dealer address will generally not have digital representations (*i.e.*, tokens) of Securities associated with such address for purposes of the Ethereum blockchain ancillary recordkeeping mechanism. However, such an address may be linked to a Custodial-Account address and actions taken by a Broker Dealer (including certain transfers to and from its Custodial-Account address) may be audited and traced back to the individual owner of the Broker dealer address.

²¹ Whereas a Broker Dealer represents a wallet address for an introducing broker, a Custodial-Account represents the account carried by a Custodian on a Broker Dealer’s behalf.

EXHIBIT 3N

Smart Contract to which the token must comply when executing. The BSTX Protocol uses the Compliance Smart Contract functionality to allow for changes to the rules and requirements applicable to a token when carrying out functions (such as transfers) with respect to the Ethereum blockchain ancillary recordkeeping mechanism without redeployment of the entire issuance of tokens representing a BSTX-listed Security. In the absence of this structure, adding an additional rule could require a recall and reissuance of the tokens to accommodate new rules.

EXHIBIT 4

This Exhibit 4 shows amendments to the proposed rule text as originally set forth in Exhibit 5A, published on the Commission's website on May 26, 2020.

New text appears in blue with double-underline. Deleted text appears in red with a strikethrough.

Only those proposed Rules in Exhibit 5A for which the Exchange proposes amendments are set forth below (i.e., Exhibit 4 does not include Rules in Exhibit 5A that remain unchanged).

* * *

EXHIBIT 4**17000 – GENERAL PROVISIONS OF BSTX[†]****17000. Definitions**

- (a) With respect to the Rules contained in Rule 17000 Series to Rule 28000 Series below, relating to the listing and trading of ~~security tokens~~Securities on the Exchange, the following terms shall have the meanings specified in this Rule. A term defined elsewhere in the Exchange Rules shall have the same meaning with respect to this Rule 17000 Series, unless otherwise defined below.
- (1) The term “**Act**” or “**Exchange Act**” means the Securities Exchange Act of 1934, as amended.
 - (2) The term “**adverse action**” means any action taken by the Exchange which affects adversely the rights of any Participant, applicant for membership, or any person associated with a Participant (including the denial of membership and the barring of any person from becoming associated with a Participant) and any prohibition or limitation by the Exchange imposed on any person with respect to access to services offered by the Exchange, or a Participant thereof. This term does not include disciplinary actions for violations of any provision of the Act or the rules and regulations promulgated thereunder, or any provision of the By-Laws or Exchange Rules or any interpretation thereof or resolution or order of the Board or appropriate Exchange committee which has been filed with the Commission pursuant to Section 19(b) of the Act and has become effective thereunder. Review of disciplinary actions is provided for in the Rule 12000 Series of the Exchange Rules.
 - (3) The term “**Affiliate**” means, with respect to any Person, any other Person controlling, controlled by or under common control with, such Person. As used in this definition, the term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise with respect to such Person. A Person is presumed to control any other Person, if that Person: (i) is a director, general partner, or officer exercising executive responsibility (or having similar status or performing similar functions); (ii) directly or indirectly has the right to vote 25 percent or more of a class of voting security or has the power to sell or direct the sale of 25 percent or more of a class of voting securities of the Person; or (iii) in the case of a partnership, has contributed, or has the right to receive upon dissolution, 25 percent or more of the capital of the partnership.
 - (4) The term “**approved person**” means a person (excluding a member, principal executive or employee of a Participant, or governmental entity) who controls a Participant, is engaged in a securities or kindred business that is controlled by a

[†]All text in Exhibit 5A is new. Underlining has been omitted throughout to improve readability.

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Participant or a Participant's affiliates, or is a U.S. registered broker-dealer under common control with a Participant. "Governmental entity" means a sovereign nation, state, or territory, or other political subdivision, agency, or instrumentality thereof.

- (5) The term "**associated person**" or "**person associated with a Participant**" or "**person associated with a BSTX Participant**" means any partner, officer, director, or branch manager of such Participant (or any person occupying a similar status or performing similar functions), any person directly or indirectly controlling, controlled by, or under common control with such Participant or any employee of such Participant, except that any person associated with a Participant whose functions are solely clerical or ministerial shall not be included in the meaning of such term for purposes of these Rules.
- (6) The term "**bid**" means a limit order to buy one or more ~~security tokens~~Securities.
- (7) The term "**broker**" shall have the same meaning as in Section 3(a)(4) of the Act.
- (8) The term "**BSTX**" means the facility of the Exchange for executing transactions in ~~security tokens~~Securities
- (9) The term "**BSTX Book**" means the electronic book of orders on each ~~security token~~Security maintained by the BSTX System.
- (10) The term "**BSTX Operations Center**" refers to the provider of market support for Participants trading on BSTX during the trading day.
- (11) The term "**BSTX Participant**" is a Participant or Options Participant (as defined in the Rule 100 Series) that is authorized to trade ~~security tokens~~Securities on the Exchange.
- (12) The term "**BSTX Participation Agreement**" means the agreement to be executed by BSTX Participants to qualify to participate in trading on the BSTX System.
- (13) The term "**BSTX Regulation Center**" means the Exchange's based facilities in which, pursuant to procedures established by the Board, Exchange Officials and personnel shall monitor, conduct surveillance of, and regulate the conduct of ~~security token~~Security business on BSTX, in order to ensure the maintenance of a fair and orderly market.
- (14) The term "**BSTX System**" means the automated trading system used by BSTX for the trading of ~~security tokens~~Securities.
- (15) The term "**Commission**" means the Securities and Exchange Commission.
- (16) The term "**customer**" shall not include a broker or dealer.
- (17) The term "**dealer**" shall have the same meaning as in Section 3(a)(5) of the Act.

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- (18) The term “**designated self-regulatory organization**” means a self-regulatory organization, other than the Exchange, designated by the Commission under Section 17(d) of the Act to enforce compliance by BSTX Participants with Exchange Rules.
- (19) The term “**Designated Market Maker**” or “**DMM**” refers to a BSTX Participant registered as a DMM pursuant to the Rule 25200 Series.
- (20) The term “**Exchange**” or “**BOX**” means BOX Exchange LLC and its facilities.
- (21) The terms “**FINRA**” or “**NASD**” mean, collectively, Financial Industry Regulatory Authority and its subsidiaries.
- (22) The term “**Market Maker**” means a BSTX Participant that acts as a Market Maker pursuant to Rule 25200 Series.
- (23) NBB, NBO, and NBBO: The term “**NBB**” shall mean the national best bid, the term “**NBO**” shall mean the national best offer, and the term “**NBBO**” shall mean the national best bid or offer, as set forth in Rule 600(b) of Regulation NMS under the Exchange Act.
- (24) The term “**offer**” means a limit order to sell one or more ~~security tokens~~Securities.
- (25) The term “**order**” means a firm commitment to buy or sell a ~~security token~~Security.
- (26) The term “**person**” means any natural person, company, government, or political subdivision, agency, or instrumentality of a government.
- (27) The term “**Pre-Opening Phase**” means the time between 8:30 a.m. and 9:30 a.m. Eastern Time.
- (28) The term “**Regular Trading Hours**” means the time between 9:30 a.m. and 4:00 p.m. Eastern Time.
- (29) The term “**Rules**” means the Exchange By-Laws, the Exchange LLC Agreement, and these Rules of the Exchange, including the Rule 100 to Rule 16000 Series.
- (30) The term “~~security token~~Security” means a NMS stock, as defined in Rule 600(b)(47) of the Exchange Act, trading on the BSTX System and for which ancillary Ethereum blockchain records are maintained under these Rules. References to a “security” or “securities” in the Rules may include ~~security tokens~~Securities, as the context requires.
- (31) The term “**Wallet Manager**” means a party approved by BSTX to operate software compatible with the BSTX Protocol.

EXHIBIT 4**17010 Applicability**

- (a) The Rules contained in Rule 17000 Series to Rule 28000 Series herein are the Exchange Rules applicable to the trading of ~~security tokens~~Securities by BSTX Participants approved for such trading, the listing of ~~security tokens~~Securities, and other matters relating to trading ~~security tokens~~Securities.
- (b) Except to the extent that specific Rules relating to ~~security tokens~~Securities govern or unless the context otherwise requires, the provisions of the Exchange Rules shall be applicable to BSTX Participants and to the trading of ~~security tokens~~Securities on the BSTX System and, for purposes of their application with respect to BSTX Participants and ~~security token~~Security trading shall be interpreted in light of the nature of equities trading and the BSTX System, and the fact that ~~security tokens~~Securities on the BSTX System shall be traded electronically. To the extent that the provisions of the Rules relating to the trading of ~~security tokens~~Securities contained in Rule 17000 Series to Rule 28000 Series are inconsistent with any other provisions of the Exchange Rules, the Rules relating to ~~security token~~Security trading shall control.

17020. Whitelisting and Reporting of End-of-Day Security ~~Token~~ Balances

- (a) *Address Whitelisting.* To facilitate the recording of information related to the ownership of ~~security tokens~~Securities as an ancillary recordkeeping mechanism using distributed ledger technology, each BSTX Participant, either directly or through its carrying firm acting on its behalf, must, by contacting BSTX, establish a wallet address to which its end-of-day ~~security token~~Security balances may be recorded. A BSTX Participant must obtain a wallet address under this requirement not later than five (5) business days after the Exchange provides notice of approval of its application for participation in Rule 18000(c).
- (b) *Reporting End-of-Day Security ~~Token~~ Balances.* To facilitate recording ownership of ~~security tokens~~Securities as an ancillary recordkeeping mechanism using distributed ledger technology, each BSTX Participant, either directly or through its carrying firm, must report each business day to BSTX, in a manner and form acceptable to BSTX, as follows:
- (1) For a BSTX Participant that is a participant in the securities depository registered as a clearing agency pursuant to Section 17A of the Exchange Act, the total number of ~~security tokens~~Securities for each class of ~~security token~~Security that are credited to each account of the BSTX Participant at the securities depository; or
 - (2) For a BSTX Participant that is not a participant in the securities depository, the total number of ~~security tokens~~Securities for each class of ~~security token~~Security that are credited to the BSTX Participant by its carrying firm.
- (c) *Timing for Reporting of End-of-Day Security ~~Token~~ Balances.* Reporting end-of-day-~~security token~~Security balances to BSTX must be performed each business day when the securities depository is also open for business after such time as the securities depository

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has completed its end-of-day settlement process, with the exact time set forth by the Exchange via regulatory circular.

- (d) *Updating Security ~~Token~~ Balances.* Upon receipt of end-of-day ~~security-token~~Security position balance information from BSTX Participants and carrying firms of BSTX Participants, as applicable, BSTX will provide such information to the Wallet Manager(s) for the Wallet Manager(s) to update the Ethereum blockchain as an ancillary recordkeeping mechanism to reflect, in tokenized form, updates in ~~security-token~~Security position balances. Any difference between the ~~security-token~~Security position balance(s) reported to BSTX regarding a ~~security-token~~Security and the number of shares outstanding for the ~~security-token~~Security, as determined by BSTX, will be provided to the Wallet Manager(s) for allocation to an omnibus wallet address for such ~~security-token~~Security.
- (e) *Measures to Ensure Accuracy of End-of-Day Security Balance Reports.*
- (1) A BSTX Participant shall promptly send a corrected end-of-day Security balance report to the Exchange upon the BSTX Participant's discovery that it submitted an inaccurate end-of-day report that has not already been corrected or superseded.
- (2) If the Exchange has reason to believe that balances reported by one or more BSTX Participants may be inaccurate, the Exchange may request additional information regarding the applicable reports and balances from any BSTX Participant. A BSTX Participant shall promptly respond to any additional information requests that the Exchange may make regarding its end-of-day Security balance reports.
- (f) ~~(e)~~ *Suspension of Requirements Regarding Whitelisting and Reporting of End-of-Day Security ~~Token~~ Balances.* The Exchange may suspend the requirements in paragraphs (a) through (d) above regarding any BSTX Participant and/or regarding one or more ~~security-tokens~~Securities, as applicable, in its discretion and in any such case the Exchange will provide prompt notice thereof and the reason(s) therefore to BSTX Participants. The Exchange will notify the Commission within two hours of its determination to make any such suspension and the suspension may continue in effect for no more than thirty calendar days from the date the determination is made unless the Exchange has submitted a proposed rule change with the Commission seeking approval of such suspension, in which case the suspension may continue in effect until the Commission approves or disapproves the proposed rule change.

18000 – PARTICIPATION ON BSTX

18000 BSTX Participation

- (a) These Rules establish a new category of Exchange member participation called “BSTX Participant.” Only BSTX Participants may transact business on the BSTX System. BSTX Participants may trade ~~security-tokens~~Securities for their own proprietary accounts or, if authorized to do so under applicable law, and consistent

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- (4) is not a member/participant of a registered clearing agency, or does not clear-~~security token~~Security transactions executed on the Exchange through another BSTX Participant that is a member/participant of a registered clearing agency;
- (5) is subject to any unsatisfied liens, judgments, or unsubordinated creditor claims of a material nature, which, in the absence of a reasonable explanation therefor, remain outstanding for more than six months;
- (6) has been subject to any bankruptcy proceeding, receivership, or arrangement for the benefit of creditors within the past three years; or
- (7) has engaged in an established pattern of failure to pay just debts or has defaulted, without a reasonable explanation, on an obligation to a self-regulatory organization, or any member/participant of a self-regulatory organization

18020. Persons Associated with BSTX Participants

Associated persons of a BSTX Participant shall be bound by the Exchange Rules. The Exchange may discipline, suspend or terminate the registration with the Exchange of any person associated with a BSTX Participant for violation of the Rules of the Exchange.

19000 – BUSINESS CONDUCT FOR BSTX PARTICIPANTS**19000. Just and Equitable Principles of Trade**

No BSTX Participant shall engage in acts or practices inconsistent with just and equitable principles of trade. Persons associated with Participants shall have the same duties and obligations as Participants under this Rule 19000 Series.

19010. Adherence to Law

No BSTX Participant shall engage in conduct in violation of the Rules, the Exchange Act or the rules or regulations thereunder, or any policy or written interpretation of the Rules by the Board or an appropriate Board committee. Every BSTX Participant shall so supervise persons associated with the BSTX Participant as to assure compliance with those requirements.

19020. Use of Fraudulent Devices

No BSTX Participant shall effect any transaction in, or induce the purchase or sale of, any security by means of any manipulative, deceptive, or other fraudulent device or contrivance.

19030. False Statements

No BSTX Participant or applicant for membership, or person associated with a BSTX Participant or applicant for membership, shall make any false statements or misrepresentations in any application, report or other communication to the Exchange.

EXHIBIT 4**20020. Capital Compliance**

Each BSTX Participant subject to Rule 15c3-1 under the Exchange Act shall comply with the capital requirements prescribed therein and with the additional requirements of this Rule 20000 Series.

20030. “Early Warning” Notification Requirements

Every BSTX Participant subject to the reporting or notification requirements of Rule 17a-11 under the Exchange Act or the “early warning” reporting, business restriction or business reduction requirements of another national securities exchange, registered securities association or registered securities clearing organization shall promptly notify the Exchange in writing and shall thereafter file with the Exchange such reports and financial statements as may be required by the Exchange.

20040. Power of CRO to Impose Restrictions

Whenever it shall appear to the Chief Regulatory Officer of the Exchange that a BSTX Participant obligated to give notice to the Exchange under Rule 20030 is unable within a reasonable period to reduce the ratio of its aggregate indebtedness to net capital, or to increase its net capital, to a point where it is no longer subject to such notification obligations, or that such BSTX Participant is engaging in any activity which casts doubt upon its continued compliance with the net capital requirements, the Chief Regulatory Officer may impose such conditions and restrictions upon the operations, business and expansion of such BSTX Participant and may require the submission of, and adherence to, such plan or program for the correction of such situation as he determines to be necessary or appropriate for the protection of investors, other BSTX Participants and the Exchange.

20050. Margin

- (a) A BSTX Participant shall not effect a securities transaction through the Exchange in a manner contrary to the regulations of the Board of Governors of the Federal Reserve System.
- (b) The margin which must be maintained in margin accounts of customers shall be as follows:
 - (1) 25% of the current market value of all securities “long” in the account; plus
 - (2) \$2.50 per share or 100% of the current market value, whichever amount is greater, of each security or ~~security token~~[Security](#) “short” in the account selling at less than \$5.00 per share; plus

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- (3) \$5.00 per share or 30% of the current market value, whichever amount is greater, of each security or ~~security token~~Security “short” in the account selling at \$5.00 per share or above; plus
- (4) 5% of the principal amount or 30% of the current market value, whichever amount is greater, of each bond “short” in the account.

20060. Day Trading Margin

- (a) The term “day trading” means the purchasing and selling of the same security on the same day. A “day trader” is any customer whose trading shows a pattern of day trading.
- (b) Whenever day trading occurs in a customer’s margin account the margin to be maintained shall be the margin on the “long” or “short” transaction, whichever occurred first, as required pursuant to Exchange Rule 20050. When day trading occurs in the account of a day trader, the margin to be maintained shall be the margin on the “long” or “short” transaction, whichever occurred first, as required for initial margin by Regulation T of the Board of Governors of the Federal Reserve System, or as required pursuant to Exchange Rule 20050, whichever amount is greater.
- (c) No BSTX Participant shall permit a public customer to make a practice, directly or indirectly, of effecting transactions in a cash account where the cost of securities purchased is met by the sale of the same securities. No BSTX Participant shall permit a public customer to make a practice of selling securities with them in a cash account which are to be received against payment from another registered broker or dealer where such securities were purchased and are not yet paid for.

20070. Customer Account Information

BSTX Participants and persons associated with a BSTX Participant shall comply with FINRA Rule 4512 as if such rule were part of the Exchange’s Rules.

- (a) For purposes of this Exchange Rule:
 - (1) References to NASD 2510 (or any successor FINRA rule) shall be construed as references to Exchange Rule 19150;
 - (2) References to FINRA Rules 2070, 2090, and 4512 shall be construed as references to Exchange Rules 22030, 19040, and 20070, respectively;
 - (3) References to “a prior FINRA rule” shall be construed as references to “a FINRA rule in effect prior to the effectiveness of FINRA Rule 4512”;
 - (4) The Exchange and FINRA are parties to an agreement pursuant to which FINRA has agreed to perform certain functions on behalf of the Exchange. Therefore, BSTX Participants are complying with Exchange Rule 20070 by complying with FINRA Rule 4512 as written, including, for example, providing information

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- (c) The solicitation of subscriptions to or the acceptance of discretionary orders from any such pool, syndicate or joint account shall be deemed to be managing a manipulative operation.
- (d) The carrying on margin of a position in such security or the advancing of credit through loans to any such pool, syndicate or joint account shall be deemed to be financing a manipulative operation.

23040. Dissemination of False Information

Consistent with Exchange Rule 3080 (Rumors), no BSTX Participant shall make any statement or circulate and disseminate any information concerning any security traded on the Exchange which such BSTX Participant knows or has reasonable grounds for believing is false or misleading or would improperly influence the market price of such security.

23050. Prohibition against Trading Ahead of Customer Orders

- (a) Except as provided herein, a BSTX Participant that accepts and holds an order in a security from its own customer or a customer of another broker-dealer without immediately executing the order is prohibited from trading that security on the same side of the market for its own account at a price that would satisfy the customer order, unless it immediately thereafter executes the customer order up to the size and at the same or better price at which it traded for its own account.
- (b) A BSTX Participant must have a written methodology in place governing the execution and priority of all pending orders that is consistent with the requirements of this Rule. A BSTX Participant also must ensure that this methodology is consistently applied.
- (c) *Large Orders and Institutional Account Exceptions.* With respect to orders for customer accounts that meet the definition of an “institutional account” or for orders of 10,000-~~security tokens~~Securities or more (unless such orders are less than \$100,000 in value), a BSTX Participant is permitted to trade a security on the same side of the market for its own account at a price that would satisfy such customer order, provided that the BSTX Participant has provided clear and comprehensive written disclosure to such customer at account opening and annually thereafter that:
 - (1) discloses that the BSTX Participant may trade proprietarily at prices that would satisfy the customer order, and
 - (2) provides the customer with a meaningful opportunity to opt in to the Rule 23050 protections with respect to all or any portion of its order.

If the customer does not opt in to the Rule 23050 protections with respect to all or any portion of its order, the BSTX Participant may reasonably conclude that such customer

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- (2) a statement regarding the purpose of the account;
- (3) the name of the BSTX Participant carrying and clearing the account; and
- (4) a copy of any written agreement or instrument relating to the account.

23070. Influencing Data Feeds

No BSTX Participant shall attempt to execute a transaction or transactions to buy or sell a security for the purpose of influencing any report appearing on any data feed providing information with respect to such security.

23080. Trade Shredding

No BSTX Participant or associated person of a BSTX Participant may engage in “trade shredding.” Trade shredding is conduct that has the intent or effect of splitting any order into multiple smaller orders for execution or any execution into multiple smaller executions for the primary purpose of maximizing a monetary or in-kind amount to be received by a BSTX Participant or associated person of a BSTX Participant as a result of the execution of such orders or the transaction reporting of such executions. For purposes of this Rule 23080, “monetary or in-kind amount” shall be defined to include, but not be limited to, any credits, commissions, gratuities, payments for or rebates of fees, or any other payments of value to a BSTX Participant or associated person of a BSTX Participant.

23090. Best Execution

In executing customer orders, a BSTX Participant is not a guarantor of “best execution” but must use the care of a reasonably prudent person in the light of all circumstances deemed relevant by the BSTX Participant and having regard for the BSTX Participant’s brokerage judgment and experience.

23100. Publication of Transactions and Changes

- (a) The Exchange shall cause to be disseminated for publication on the data feed(s) relating to the effective transaction reporting plan for ~~security tokens~~Securities all last sale price reports of transactions executed through the facilities of the Exchange pursuant to the requirements of an effective transaction reporting plan approved by the Commission.
- (b) To facilitate the dissemination of such last sale price reports, each BSTX Participant shall cause to be reported to the Exchange, as promptly as possible after execution, all information concerning each transaction required by the effective transaction reporting plan for ~~security tokens~~Securities.
- (c) An official of the Exchange shall approve any corrections to reports transmitted over the data feed(s) relating to the effective transaction reporting plan for ~~security~~

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~~tokens~~Securities. Any such corrections shall be made within one day after detection of the error.

23110. Trading Ahead of Research Reports

- (a) No BSTX Participant shall establish, increase, decrease or liquidate an inventory position in a security or a derivative of such security based on non-public advance knowledge of the content or timing of a research report in that security.
- (b) BSTX Participant must establish, maintain and enforce policies and procedures reasonably designed to restrict or limit the information flow between research department personnel, or other persons with knowledge of the content or timing of a research report, and trading department personnel, so as to prevent trading department personnel from utilizing non-public advance knowledge of the issuance or content of a research report for the benefit of the BSTX Participant or any other person.

23120. Front Running of Block Transactions

- (a) BSTX Participants and persons associated with BSTX Participants shall comply with FINRA Rule 5270 as if such rule were part of the Exchange's Rules.
- (b) Front Running of Non-Block Transactions. Although the prohibitions in FINRA Rule 5270 are limited to imminent block transactions, the front running of other types of orders that place the financial interests of a BSTX Participant or persons associated with a BSTX Participant ahead of those of its customers or the misuse of knowledge of an imminent customer order may violate other Exchange rules, including Rule 19000 and Rule 23050, and/or provisions of the federal securities laws.

23130. Disruptive Quoting and Trading Activity Prohibited

BSTX Participants shall comply with the requirements of Exchange Rule 3220 (Disruptive Quoting and Trading Activity Prohibited).

24000 – DISCIPLINE AND SUMMARY SUSPENSION**24000. Suspensions**

The provisions of the Rule 11000 Series (Summary Suspension), 12000 Series (Discipline), 13000 Series (Review of Certain Exchange Actions), and 14000 Series (Arbitration) of the Exchange Rules shall be applicable to BSTX Participants and trading on the BSTX System.

24010. Penalty for Minor Rule Violations

The following BSTX Rule and policy violations may be determined by the Exchange to be minor in nature. If so, the Exchange may, with respect to any such violation, proceed under Rule 12140 (Imposition of Fines for Minor Violations) and impose the fine set forth below. The

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(f) Pursuant to the Rules, the Exchange may:

- (1) suspend a Participant's access to the BSTX System following a warning which may be made in writing or verbally (and subsequently confirmed in writing); or
- (2) terminate a Participant's access to the BSTX System by notice in writing.

25010. Days and Hours of Business

- (a) The Board shall determine the days BSTX shall be open for business (referred to as "business days") and the hours of such days during which transactions may be made on BSTX. No Participant shall make any bid, offer, or transaction on BSTX before or after such hours, except as provided in Rule 25040.
- (b) The Exchange shall not be open for business on the following holidays: New Year's Day, Martin Luther King, Jr. Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day. When any holiday observed by the Exchange falls on a Saturday, the Exchange will not be open for business on the preceding Friday. When any holiday observed by the Exchange falls on a Sunday, the Exchange will not be open for business on the following Monday, unless unusual business conditions exist at the time.
- (c) Orders may be executed on the BSTX System between 9:30 a.m. and 4:00 p.m. Eastern Time.
- (d) The Chief Executive Officer, President, or Chief Regulatory Officer of the Exchange, or his designee, who must be a senior officer of the Exchange, shall have the power to halt, suspend trading in any and all ~~security tokens~~Securities traded on BSTX, to close some or all BSTX facilities, and to determine the duration of any such halt, suspension, or closing, when he deems such action necessary for the maintenance of fair and orderly markets, the protection of investors, or otherwise in the public interest including special circumstances such as (1) actual or threatened physical danger, severe climatic conditions, civil unrest, terrorism, acts of war, or loss or interruption of facilities utilized by BSTX, (2) a request by a governmental agency or official, or (3) a period of mourning or recognition for a person or event. No such action shall continue longer than a period of two days, or as soon thereafter as a quorum of Directors can be assembled, unless the Board approves the continuation of such suspension.

25020. Units of Trading

The minimum unit of trading on the BSTX System shall be one ~~security token~~Security.

25030. Minimum Price Variant ("MPV")

Bids, offers, orders, or indications of interest in securities traded on BSTX shall not be made in an increment smaller than \$0.01.

25040. Opening the Market

EXHIBIT 4*(a) Opening the Market for BSTX-Listed ~~Security Tokens~~ Securities.*

- (1) *Pre-Opening Phase.* Starting at 8:30 a.m. Eastern Time, the BSTX System will accept orders. During this period, known as the Pre-Opening Phase, orders are placed on the BSTX Book but do not generate trade executions. Orders may be canceled but not modified.
- (2) *Calculation of Theoretical Opening Price.* From the time that the BSTX System commences accepting orders at the start of the Pre-Opening Phase, the BSTX System will calculate and provide the Theoretical Opening Price (“TOP”) for the current resting orders on the BSTX Book during the Pre-Opening Phase. The TOP is that price at which the opening match would occur at the current time, if that time were the opening, according to the opening match procedures described in paragraph (4) below. The quantity that would trade at this price is also calculated.

A TOP can only be calculated if an opening trade is possible. An opening trade is possible if the BSTX Book is crossed (highest bid is higher than the lowest offer) or locked (highest bid equals lowest offer).
- (3) *Broadcast Information During Pre-Opening Phase.* The BSTX System will disseminate certain information to all BSTX Participants about any orders sent in before the Opening Match. This broadcast will include (“Broadcast Information”):
 - i. The TOP;
 - ii. The “Paired ~~Tokens~~ Securities,” which is the quantity of ~~security tokens~~ Securities that would execute at the TOP;
 - iii. The “Imbalance Quantity,” which is the number of ~~security tokens~~ Securities that may not be matched with other orders at the TOP at the time of dissemination;
 - iv. The “Imbalance Side,” which is the buy/sell direction of any imbalance at the time of dissemination.

Any orders which are at a price better (*i.e.*, bid higher or offer lower) than the TOP will be shown only as a total quantity on the BSTX Book at a price equal to the TOP.

- (4) *Timing of Dissemination of Broadcast Information.* Broadcast Information is re-calculated and disseminated every time a new order is received or cancelled and where such event causes the TOP or Paired ~~Tokens~~ Securities to change.
- (5) *Opening Match.*
 - i. The BSTX System will establish the opening price at the time of the opening match at 9:30 a.m. Eastern Time. The opening price is the TOP at the moment of the opening match. The TOP/opening price is the “market clearing” price which will leave bids and offers which cannot trade with

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each other. In determining the priority of orders to be filled, the BSTX System will give priority to Limit Orders whose price is better than the opening price first. Consistent with Rule 25080, among multiple orders at the same price, execution priority during the opening match is determined based on the time the order was received by the BSTX System.

- ii. The BSTX System will determine a single price at which a particular-~~security token~~Security will be opened. BSTX will calculate the optimum number of ~~security tokens~~Securities that could be matched at a price, taking into consideration all the orders on the BSTX Book.
 1. The opening match price is the price which will result in the matching of the highest number of ~~security tokens~~Securities.
 2. Should two or more prices satisfy the maximum quantity criteria, the price which will leave the fewest resting ~~security tokens~~Securities in the BSTX Book will be selected as the opening price.
 3. Should there still be two or more prices which meet both criteria in subparagraphs (1) and (2) above, the price which is closest to the previous day's closing price will be selected as the opening match price. For ~~initial security token offerings~~Initial Security Offerings, BSTX will utilize the price assigned to the ~~security token~~Security by the underwriter for the offering ("~~ISTO~~Initial Security Offering Reference Price").

(6) *Transition to Normal Trading.* As the opening price is determined, the BSTX System will proceed to move the ~~security token~~Security from the Pre-Opening Phase to the continuous or regular trading phase and disseminate the opening trade price, if any. At this point, the BSTX system is open for trading and all orders are accepted and processed according to these Rules. Any orders that remain unexecuted in the opening match, including any remaining portion of a partially executed order, shall be moved onto the BSTX Order Book for the regular trading phase and shall retain their price/time priority consistent with Rule 25080. When the BSTX System cannot determine an opening price, the ~~security token~~Security will nevertheless move from Pre-Opening Phase to the continuous trading phase with all orders received during the Pre-Opening Phase being moved to the BSTX Book for regular hours trading.

(7) Orders marked IOC submitted during the Pre-Opening Phase are rejected.

(b) *Auctions for the Initial Public Offering of a Security ~~Token~~.* An initial public offering of a ~~security token~~ ("~~ISTO~~Security ("Initial Security Offering") will follow the same general process described above in paragraph (a) subject to the following:

(1) *Quote-Only Period.* In advance of an auction related to an ~~ISTO~~ ("~~ISTO~~Initial Security Offering ("Initial Security Offering Auction"), the Exchange shall

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announce a “Quote-Only Period” that shall be between fifteen (15) and thirty (30) plus a short random period prior to the ~~ISTO~~Initial Security Offering Auction. Limit orders with time-in-force of DAY submitted during the Quote Only Period shall be eligible to participate in the ~~ISTO~~Initial Security Offering Auction. Orders may not be submitted to participate in an ~~ISTO~~Initial Security Offering until the beginning of the Quote-Only Period. During the Quote Only Period, orders may be canceled, but not modified. Orders marked IOC submitted during the Quote-Only Period are rejected.

- (2) *Extending the Quote Only Period.* The Quote-Only Period may be extended where:
- i. There is no TOP;
 - ii. The underwriter requests an extension;
 - iii. The TOP moves the greater of 10% or fifty (50) cents in the fifteen (15) seconds prior to the initial cross; or
 - iv. In the event of a technical or systems issue at the Exchange that may impair the ability of BSTX Participants to participate in the ~~ISTO~~Initial Security Offering or of the Exchange to complete the ~~ISTO~~Initial Security Offering.
- (3) *Broadcast Information.* The Exchange will disseminate Broadcast Information as described in paragraph (a)(3) above beginning at the commencement of the Quote Only Period. Broadcast Information is re-calculated and disseminated every time a new order is received or cancelled and where such event causes the TOP price or Paired ~~Tokens~~Securities to change.
- (4) *Notification of Extensions of the Quote-Only Period and Trading Pauses.* In the event of any extension to the Quote-Only Period as set forth in paragraph (b)(2) above, the Exchange will notify market participants regarding the circumstances and length of the extension. If a trading pause is triggered by the Exchange or if the Exchange is unable to reopen trading at the end of the trading pause due to a systems or technology issue, the Exchange will immediately notify the single plan processor responsible for consolidation of information for the security pursuant to Rule 603 of Regulation NMS under the Securities Exchange Act of 1934.
- (5) *Determination of ~~ISTO~~Initial Security Offering Price and Transition to Normal Trading.* Orders will be matched and executed pursuant to paragraph (a)(5) above at the conclusion of the Quote-Only Period, rather than at 9:30 a.m. Eastern Time. Following the initial cross at the end of the Quote-Only Period, the Exchange will transition to normal trading pursuant to paragraph (a)(6) above.
- (6) Orders marked IOC submitted during the Pre-Opening Phase of an ~~ISTO~~Initial

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Security Offering Auction are rejected.

- (c) *Halt Auctions in BSTX-Listed ~~Security Tokens~~Securities*. “Halt Auctions” are used to reopen trading in a BSTX-listed ~~security token~~Security following a trading pause or a LULD trading halt pursuant to Rule 25050.
- (1) *Quote-Only Period*. In advance of reopening after a trading halt, the Exchange shall announce a “Quote-Only Period” that shall be five (5) minutes prior to the Halt Auction. Limit orders with time-in-force of DAY submitted during the Quote Only period shall be eligible to participate in Halt Auction. Orders may not be submitted to participate in a Halt Auction until the beginning of the Quote-Only Period. During the Quote-Only Period, orders may be canceled, but not modified. Orders marked IOC submitted during the Quote-Only Period are rejected.
 - (2) *Incremental Quote Period Extensions for Halt Auctions Following a Regulatory Halt*. The Quote-Only Period with respect to a Halt Auction shall commence five (5) minutes prior to such Halt Auction. The Quote-Only Period shall be extended for an additional five (5) minutes should a Halt Auction be unable to be performed due to the absence of a TOP (“Initial Extension Period”). After the Initial Extension Period, the Quote-Only Period shall be extended for additional five (5) minute periods should a Halt Auction be unable to be performed due to absence of a TOP (“Additional Extension Period”) until a Halt Auction occurs. The Exchange shall attempt to conduct a Halt Auction during the course of each Additional Extension Period.
 - (3) *Broadcast Information*. The Exchange will disseminate Broadcast Information for a Halt Auction as described in paragraph (a)(3) above beginning at the commencement of the Quote Only Period. Broadcast Information is re-calculated and disseminated every time a new order is received or cancelled and where such event causes the TOP price or quantity to change.
 - (4) *Notification of Extensions of the Quote-Only Period and Trading Pauses*. In the event of any extension to the Quote-Only Period as set forth in paragraph (c)(2) above, the Exchange will notify market participants regarding the circumstances and length of the extension. If a trading pause is triggered by the Exchange or if the Exchange is unable to reopen trading at the end of the trading pause due to a systems or technology issue, the Exchange will immediately notify the single plan processor responsible for consolidation of information for the security pursuant to Rule 603 of Regulation NMS under the Securities Exchange Act of 1934.
 - (5) *Determination of Halt Auction Price and Transition to Normal Trading*. Orders will be matched and executed pursuant to paragraph (a)(5) above at the conclusion of the Quote-Only Period for the Halt Auction. Following the initial cross at the end of the Quote-Only Period, the Exchange will transition to normal trading pursuant to paragraph (a)(6) above.
- (d) *Contingency Procedures*. When a disruption occurs that prevents the execution of an

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~~ISTO~~Initial Security Offering or Halt Auction, including any extensions thereof, as set forth above, the Exchange shall apply the following “Contingency Procedures”:

- (1) For an ~~ISTO~~Initial Security Offering Auction, the Exchange will publicly announce that the Quote-Only Period for the ~~ISTO~~Initial Security Offering Auction will reset for the subject ~~security token~~Security. The Exchange will then cancel all orders on the BSTX Book and disseminate a new scheduled time for the Quote-Only Period and opening match.
- (2) For a Halt Auction, the Exchange will publicly announce that no Halt Auction will occur. All orders in the halted ~~security token~~Security on the BSTX Book will be canceled, and the Exchange will open the ~~security token~~Security for trading without an auction.

(e) *Opening the Market for Non-BSTX-Listed ~~Security Tokens~~Securities.*

- (1) *Order Entry and Cancellation before the Opening Process.* Prior to the beginning of Regular Trading Hours, BSTX Participants who wish to participate in the opening process may enter orders to buy or sell. The Exchange will accept orders and quotes for inclusion in the BSTX Book but such orders and quotes cannot execute until the termination of the Pre-Opening Phase (“Opening Process”). Orders cancelled before the Opening Process will not participate in the Opening Process.
 - i. The Exchange will open by attempting to execute all orders eligible for the Opening Process.
- (2) *Performing the Opening Process.* The Exchange will attempt to perform the Opening Process and will match buy and sell orders that are executable at the midpoint of the NBBO as described in paragraph (3) below. All orders eligible to trade at the midpoint will be processed in time sequence, beginning with the order with the oldest time stamp. Matches will occur until there is no remaining volume or there is an imbalance of orders (the “Opening Match”). An imbalance of orders on the buy side or sell side may result in orders that are not executed in whole or in part. Such orders may, in whole or in part, be placed on the BSTX Book, cancelled, or executed. If no matches can be made, the Opening Process will conclude with all orders that participated in the Opening Process being placed in the BSTX Book, cancelled, or executed.
- (3) *Determining the price of the Opening Process.* The price of the Opening Process will be at the midpoint of the: (i) first NBBO subsequent to the first two-sided quotation published by the listing exchange after 9:30:00 a.m. Eastern Time; or (ii) then prevailing NBBO when the first two-sided quotation is published by the listing exchange after 9:30:00 a.m. Eastern Time, but before 9:45:00 a.m. Eastern Time if no first trade is reported by the listing exchange within one second of publication of the first two-sided quotation by the listing exchange.
- (4) *Contingent Open.* If the conditions to establish the price of the Opening Process

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set forth above do not occur by 9:45:00 a.m. Eastern Time, orders will be handled in time sequence, beginning with the order with the oldest time stamp, and will be placed on the BSTX Book, cancelled, or executed in accordance with the terms of the order.

- (5) *Re-Opening After a Halt.* While a non-BSTX-listed security ~~token~~ is subject to a halt, suspension, or pause in trading, the Exchange rejects orders until there is a resumption of trading in the security for participation in the re-opening process. Once the trading halt, suspension, or pause is lifted, BSTX Participants may resume submitting order to BSTX.
- (f) Whenever, in the judgment of the Exchange, the interests of a fair and orderly market so require, the Exchange may adjust the timing of or suspend the auctions set forth in this Rule with prior notice to BSTX Participants.
- (g) For purposes of Rule 611(b)(3) of Regulation NMS, orders executed pursuant to the Opening Auction, ~~ISTO~~Initial Security Offering Auction, and Halt Auction may trade through any other trading center's manual or protected quotations if the transaction that constituted the trade-through was a single-priced opening, reopening, or closing transaction by the trading center.

25050. Limit Up-Limit Down Plan and Trading Halts

- (a) This rule shall be in effect during a pilot period to coincide with the pilot period for the Regulation NMS Plan to Address Extraordinary Market Volatility. If the pilot is not either extended or approved permanently at the end of the pilot period, the Exchange will amend this rule. The Exchange shall halt trading in all ~~security tokens~~Securities and shall not reopen for the time periods specified in this Rule 25050 if there is a Level 1, 2, or 3 Market Decline.
- (1) For purposes of this Rule, a Market Decline means a decline in price of the S&P 500® Index between 9:30 a.m. and 4:00 p.m. Eastern Time on a trading day as compared to the closing price of the S&P 500® Index for the immediately preceding trading day. The Level 1, Level 2, and Level 3 Market Declines that will be applicable for the trading day will be publicly disseminated before 9:30 a.m. Eastern Time.
- (2) A "Level 1 Market Decline" means a Market Decline of 7%.
- (3) A "Level 2 Market Decline" means a Market Decline of 13%.
- (4) A "Level 3 Market Decline" means a Market Decline of 20%.
- (b) *Halts in Trading.*
- (1) If a Level 1 Market Decline or a Level 2 Market Decline occurs after 9:30 a.m. Eastern Time and up to and including 3:25 p.m., or in the case of an early scheduled close, 12:25 p.m., the Exchange shall halt trading in all ~~security tokens~~Securities for 15 minutes after a Level 1 or Level 2 Market Decline. The

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Exchange shall halt trading based on a Level 1 or Level 2 Market Decline only once per trading day. The Exchange will not halt trading if a Level 1 Market Decline or a Level 2 Market Decline occurs after 3:25 p.m. or, in the case of an early scheduled close, after 12:25 p.m.

- (2) If a Level 3 Market Decline occurs at any time during the trading day, the Exchange shall halt trading in all ~~security tokens~~Securities until the primary listing market opens the next trading day.
- (c) If a primary listing market halts trading in all ~~security tokens~~Securities, the Exchange will halt trading in all ~~security tokens~~Securities until trading has resumed on the primary listing market or notice has been received from the primary listing market that trading may resume. If the primary listing market does not reopen a ~~security token~~Security within 15 minutes following the end of the 15-minute halt period, the Exchange may resume trading in that ~~security token~~Security.
- (d) *Acceptance of Orders.* BSTX does not accept any orders in a non-BSTX-listed security-~~token~~ subject to a trading halt for the duration of the trading halt. Any order submitted during a halt in a non-BSTX-listed security ~~token~~ will be rejected by the BSTX System. All orders and trading interest resting on the BSTX book during any trading halt, including both non-BSTX listed ~~security tokens~~securities and BSTX listed ~~security tokens~~Securities will be canceled. Orders may be accepted by BSTX only following a broadcast message to BSTX Participants indicating a forthcoming re-opening of trading, as described in paragraph (e) below.
- (e) *Re-opening of Trading.* The re-opening of trading following a Level 1 or 2 trading halt in a BSTX-Listed ~~security token~~Security shall follow the procedures set forth in Rule 25040(c). The re-opening of trading following a Level 1 or 2 trading halt in a non-BSTX-Listed security ~~token~~ shall follow the procedures set forth in Rule 25040(e)(5).
- (f) Nothing in this Rule should be construed to limit the ability of the Exchange to otherwise halt, suspend, or pause the trading in any ~~security token or security tokens~~Security or Securities traded on the Exchange in circumstances in which the Exchange deems it necessary to protect investors and the public interest, or pursuant to any other Exchange rule or policy.
- (g) **Limit Up-Limit Down Mechanism**
- (1) **Definitions.**
- i. The term “Plan” or “Limit Up-Limit Down Plan” or “LULD” means the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS under the Act, as amended from time to time.
 - ii. All capitalized terms not otherwise defined in this paragraph (e) shall have the meanings set forth in the Plan or Exchange rules, as applicable.
- (2) **Exchange Participation in the Plan.** As of the time trading commences on BSTX, the Exchange is a Participant in, and subject to the applicable requirements of, the

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Plan, which establishes procedures to address extraordinary volatility in NMS Stocks.

- (3) Participant Compliance. BSTX Participants shall comply with the applicable provisions of the Plan.
- (4) Exchange Compliance with the Plan. The BSTX System shall not display or execute buy (sell) interest above (below) the Upper (Lower) Price Bands, unless such interest is specifically exempted under the Plan.
- (5) Re-pricing and Cancellation of Interest. The BSTX System does not reprice orders. An orders that could be executed above (below) the Upper (lower) Price Band shall be canceled back to the BSTX Participant that submitted the order.
- (6) Trading Pause during a Straddle State. The Exchange may declare a trading pause in accordance with Section VII of the Limit Up-Limit Down Plan (“Trading Pause”) for a ~~security-token~~Security listed on the Exchange when (i) the National Best Bid (Offer) is below (above) the Lower (Upper) Price Band and the ~~security-token~~Security is not in a Limit State; and (ii) trading in that ~~security-token~~Security deviates from normal trading characteristics.
- (7) Re-opening of Trading following a Trading Pause. At the end of the Trading Pause, the Exchange shall re-open the security pursuant to the procedures set forth in Rule 25040(c).

(h) All times referenced in this Rule 25050 shall be Eastern Time.

25060. Order Entry

- (a) Orders can be submitted to the BSTX System from commencement of pre-opening until market close. Submitted orders, once validated by the BSTX System, are time-stamped to within one millisecond.
- (b) On BSTX:
 - (1) a bid is represented as an order to buy (“buy order”);
 - (2) an offer is represented as an order to sell (“sell order”); and
 - (3) an execution, or trade, is defined as the matching of a buy order and sell order in the BSTX Book.
- (c) The following types of orders may be submitted to the BSTX System:
 - (1) *Limit Order*. Limit Orders entered into the BSTX Book are executed at the price stated or better. Any residual volume left after part of a Limit Order has traded is retained in the BSTX Book until it is withdrawn by the BSTX Participant or the BSTX System at the end of the trading day, or traded (unless a designation described in paragraph (d) below is added which prevents the untraded part of a limit order from being retained). All Limit Orders are automatically withdrawn by the BSTX System at market close. If a BSTX Participant fails to specify a limit

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the normal settlement process.

- (f) Orders can be cancelled but not modified once they are held in the BSTX Book. The cancellation and submission of a new order will result in a time stamp being associated with the order for purposes of BSTX Book priority.
- (g) All orders will be canceled at market close.

25070. Audit Trail

- (a) *Order Identification.* When entering orders on the BSTX System, each BSTX Participant shall submit order information in such form as may be prescribed by the Exchange in order to allow BSTX to properly prioritize and match orders pursuant to Rule 25080 and report resulting transactions. A BSTX Participant must ensure that each order received from a Customer for execution on BSTX is recorded and time-stamped immediately. The order must be time-stamped again upon execution and also at the time of any modification or cancellation of the order by the Customer.
- (b) Order tickets relating to orders submitted to the BSTX System must contain the following information at a minimum:
 - (1) a unique order identification;
 - (2) the ~~security token~~Security;
 - (3) Participant identification;
 - (4) Participant capacity;
 - (5) customer identification;
 - (6) buy/sell;
 - (7) quantity;
 - (8) price or price limit;
 - (9) special instructions; and
 - (10) such other information as may be required by the Exchange.
- (c) A BSTX Participant that employs an electronic system for order routing or order management which complies with Exchange requirements will be deemed to be complying with the requirements of this Rule if the required information is recorded in electronic form rather than in written form.
- (d) In addition to any related requirement under applicable securities laws, information recorded pursuant to this Rule must be retained by Participants for a period of no less than three (3) years after the date of the transaction.
- (e) While the identity of the individual/terminal completing the order ticket and the customer identification (the specific customer or account number) are not submitted in the order

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25080, to buy and the best-ranked non-marketable Limit Order(s) to sell in the BSTX Book shall be collected and made available to quotation vendors for dissemination pursuant to the requirements of Rule 602 of Regulation NMS. The Exchange will maintain connectivity and access to the Consolidated Tape Association (“CTA”) Plan and Unlisted Trading Privileges (“UTP”) Plan (collectively, “the SIPs”) for dissemination of quotation information.

- (d) *Trade Execution and Settlements.* Executions occurring as a result of orders matched against the BSTX Book, pursuant to Rule 25080, shall clear and settle pursuant to the rules, policies and procedures of a registered clearing agency ~~and shall settle on a T+1 basis (i.e., trade date plus one additional business day) where permitted under the rules, policies and procedures of the relevant registered clearing agency from time to time.~~
- (e) *Obligation to Honor System Trades.*
- (1) If a BSTX Participant, or clearing member/participant acting on a BSTX Participant’s behalf, is reported by the BSTX System, or shown by the activity reports generated by the BSTX System, as constituting a side of a BSTX System trade, such BSTX Participant, or clearing member/participant acting on its behalf, shall honor such trade on the scheduled settlement date.
 - (2) The Exchange shall have no liability if a BSTX Participant, or a clearing member acting on the BSTX Participant’s behalf, fails to satisfy the obligations in paragraph (1).

25110. Clearly Erroneous Executions

- (a) *Definition.* For purposes of this Rule, the terms of a transaction executed on the BSTX System are “clearly erroneous” when there is an obvious error in any term, such as price, number of ~~security tokens~~Securities or other unit of trading, or identification of the ~~security token~~Security. A transaction made in clearly erroneous error and canceled by both parties or determined by the Exchange to be clearly erroneous will be removed from the Consolidated Tape.
- (b) *Request and Timing of Review.* A BSTX Participant that receives an execution on an order that was submitted erroneously to the Exchange for its own or customer account may request that the Exchange review the transaction under this Rule. An officer of BSTX or such other employee designee of BSTX (“Official”) shall review the transaction under dispute and determine whether it is clearly erroneous, with a view toward maintaining a fair and orderly market and the protection of investors and the public interest. Such request for review shall be made in writing via e-mail or other electronic means specified from time to time by the Exchange in a circular distributed to BSTX Participants.
- (1) *Requests for Review.* Requests for review must be received by the Exchange within thirty (30) minutes of execution time and shall include information concerning the time of the transaction(s), security symbol(s), number of ~~security tokens~~Securities, price(s), side (bought or sold), and factual basis for believing

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such action in accordance with the provisions of paragraph (e)(2) above. In the event that a single plan processor experiences a technology or systems issue that prevents the dissemination of price bands, the Exchange will make the determination of whether to nullify transactions based on paragraphs (a) through (g) above and (i) through (j) below.

- (i) *Multi-Day Event.* A series of transactions in a particular ~~security token~~Security on one or more trading days may be viewed as one event if all such transactions were effected based on the same fundamentally incorrect or grossly misinterpreted issuance information resulting in a severe valuation error for all such transactions (the “Event”). An Officer of BSTX or senior level employee designee, acting on his or her own motion, shall take action to declare all transactions that occurred during the Event null and void not later than the start of trading on the day following the last transaction in the Event. If trading in the ~~security token~~Security is halted before the valuation error is corrected, an Officer of BSTX or senior level employee designee shall take action to declare all transactions that occurred during the Event null and void prior to the resumption of trading. Notwithstanding the foregoing, no action can be taken pursuant to this paragraph with respect to any transactions that have reached settlement date or that result from an initial public offering of a ~~security token~~Security. Any action taken in connection with this paragraph will be taken without regard to the Numerical Guidelines set forth in this Rule. Each BSTX Participant involved in a transaction subject to this paragraph shall be notified as soon as practicable by the Exchange, and the party aggrieved by the action may appeal such action in accordance with the provisions of paragraph (e)(2) above.
- (j) *Trading Halts.* In the event of any disruption or malfunction in the operation of the electronic communications and trading facilities of BSTX or the responsible single plan processor in connection with the transmittal or receipt of a regulatory trading halt, suspension or pause, an Officer of BSTX or senior level employee designee, acting on his or her own motion, shall nullify any transaction in a security that occurs after the primary listing market for such security declares a regulatory trading halt, suspension or pause with respect to such security and before such regulatory trading halt, suspension or pause with respect to such security has officially ended according to the primary listing market. In addition, in the event a regulatory trading halt, suspension or pause is declared, then prematurely lifted in error and is then re-instituted, an Officer of BSTX or senior level employee designee shall nullify transactions that occur before the official, final end of the halt, suspension or pause according to the primary listing market. Any action taken in connection with this paragraph shall be taken in a timely fashion, generally within thirty (30) minutes of the detection of the erroneous transaction and in no circumstances later than the start of Regular Trading Hours on the trading day following the date of execution(s) under review. Any action taken in connection with this paragraph will be taken without regard to the Numerical Guidelines set forth in this Rule. Each BSTX Participant involved in a transaction subject to this paragraph shall be notified as soon as practicable by the Exchange, and the party aggrieved by the action may appeal such action in accordance with the provisions of paragraph (e)(2) above.

25120. Short Sales

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- (a) *Marking*. All sell orders entered into the Exchange must be marked long, short, or short exempt.
- (b) *Definitions*. For purposes of this Rule, the terms “covered security,” “listing market,” and “national best bid” shall have the same meaning as in Rule 201 of Regulation SHO.
- (c) *Short Sale Price Test*. The BSTX System shall not execute or display a short sale order not marked short exempt with respect to a covered security at a price that is less than or equal to the current national best bid if the price of that security decreases by 10% or more, as determined by the listing market for the covered security, from the covered security's closing price on the listing market as of the end of Regular Trading Hours on the prior day (the “Trigger Price”).
- (d) *Determination of Trigger Price*. For covered securities, the BSTX System shall determine whether a transaction in a covered security has occurred at a Trigger Price and shall immediately notify the responsible single plan processor.
- (1) If a covered security did not trade on BSTX on the prior trading day (due to a trading halt, trading suspension, or otherwise), BSTX’s determination of the Trigger Price shall be based on the last sale price on the BSTX System for that ~~security token~~Security on the most recent day on which the ~~security token~~Security traded.
- (e) *Duration of Short Sale Price Test*. If the Short Sale Price Test is triggered by the listing market with respect to a covered security, the Short Sale Price Test shall remain in effect until the close of trading on the next trading day, as provided for in Regulation SHO Rule 201(b)(1)(ii) (the “Short Sale Period”).
- (1) If the Exchange determines pursuant to Rule 25110 that the Short Sale Price Test for a covered security was triggered because of a clearly erroneous execution, the Exchange may lift the Short Sale Price Test before the Short Sale Period ends for the ~~security tokens~~Securities for which the Exchange is the listing market or, for ~~security tokens~~Securities listed on another market, notify the other market of the Exchange’s determination that the triggering transaction was a clearly erroneous execution. The Exchange may also lift the Short Sale Price Test before the Short Sale Period ends, for a covered security for which the Exchange is the listing market, if the Exchange has been informed by another exchange or a self-regulatory organization (“SRO”) that a transaction in the covered security that occurred at the Trigger Price was a clearly erroneous execution, as determined by the rules of that exchange or SRO.
 - (2) If the Exchange determines that the prior day’s closing price for a listed ~~security token~~Security is incorrect in the System and resulted in an incorrect determination of the Trigger Price, the Exchange may correct the prior day’s closing price and lift the Short Sale Price Test before the Short Sale Period ends.

25130. Locking or Crossing Quotations in NMS Stocks

- (a) *Definitions*. For purposes of this Rule 25130, the following definitions shall apply:

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Quotations and quotation sizes may be entered into the BSTX System only by a Participant registered as a BSTX Market Maker or other entity approved by the Exchange to function in a market-making capacity on the BSTX System.

- (a) A BSTX Market Maker may become registered in a ~~security token~~ Security by entering a registration request via an Exchange-approved electronic interface with the BSTX System or by contacting the BSTX Operations Center. Registration shall become effective on the next trading day after the registration is entered. The Exchange may, in its discretion, provide for a registration to become effective on the day the registration is entered and will provide notice to the prospective BSTX Market Maker in such event.
- (b) A BSTX Market Maker's registration in an issue shall be terminated by the Exchange if the Market Maker fails to enter quotations in the issue within five (5) business days after the Market Maker's registration in the issue becomes effective.

25210. Market Maker Obligations

A Participant registered as a BSTX Market Maker shall engage in a course of dealings for its own account to assist in the maintenance, insofar as reasonably practicable, of fair and orderly markets in accordance with this Rule.

(a) Quotation Requirements and Obligations

- (1) A Market Maker shall maintain continuous, two-sided trading interest in those ~~security tokens~~ Securities in which the Market Maker is registered to trade ("Two-Sided Obligation").
 - i. Two-Sided Quote Obligation. For each ~~security token~~ Security in which a Participant is registered as a BSTX Market Maker, the Participant shall be willing to buy and sell such ~~security token~~ 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 identified to the Exchange as the interest meeting the obligation and is displayed on the BSTX 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; provided, however, that a BSTX Market Maker may augment its Two-Sided Obligation size to display limit orders priced at the same price as the Two-Sided Obligation. A "normal unit of trading" shall be one ~~security token~~ Security. After an execution against its Two-Sided Obligation, a BSTX Market Maker must ensure that additional trading interest exists on the BSTX Book to satisfy its Two-Sided Obligation either by immediately entering new interest to comply with this obligation to maintain continuous two-sided quotations or identifying to BSTX current resting interest that satisfies the Two-Sided Obligation.
 - ii. Pricing Obligations. For ~~security tokens~~ Securities, a BSTX Market Maker shall adhere to the pricing obligations established by this Rule

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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 token~~Security, and (ii) shall be suspended during a trading halt, suspension, or pause, and will not re-commence until after the first regular way transaction on the primary listing market in the ~~security token~~Security following such halt, suspension, or pause, as reported by the responsible single plan processor.

- A. Bid (Offer) Quotations. At the time of entry of bid (offer) interest satisfying the Two-Sided Obligation, the price of the bid (offer) interest shall be not more than the Designated Percentage lower (higher) than the National Best Bid (Offer), or if there is no National Best Bid (Offer), not more than the Designated Percentage away from the last reported sale. In the event that the National Best Bid (Offer) (or if no National Best Bid (Offer), the last reported sale) increases to a level that would cause the bid (offer) interest of the Two-Sided Obligation to be more than the Defined Limit away from the National Best Bid (Offer) (or if no National Best Bid (Offer), the last reported sale), or if the bid (offer) is executed or canceled, the BSTX Market Maker shall enter new bid (offer) interest at a price not more than the Designated Percentage away from the then current National Best Bid (Offer) (or if no National Best Bid (Offer), the last reported sale), or identify to the Exchange current resting interest that satisfies the Two-Sided Obligation.
 - B. For purposes of this Rule, the “Designated Percentage” shall be 30%.
 - C. For purposes of this Rule, the “Defined Limit” shall be 31.5%.
 - D. The minimum quotation increment for quotations shall be \$0.01.
- iii. Nothing in this Rule shall preclude a BSTX Market Maker from entering trading interest at price levels that are closer to the National Best Bid (Offer) in the marketplace than the levels required by this Rule.
- (2) A Market Maker shall maintain adequate minimum capital in accordance with the provisions of Rule 15c3-1 under the Securities Exchange Act of 1934;
 - (3) A Market Maker shall remain in Good Standing with the Exchange;
 - (4) A Market Maker shall inform the Exchange of any material change in financial or operational condition or in personnel.
 - (5) A Market Maker shall 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 entry into a correspondent

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clearing arrangement with another BSTX Participant that clears trades through such agency.

- (6) *Firm Quotations*. All interests to buy and sell entered into the BSTX System by BSTX Market Makers are firm and automatically executable for their size in the BSTX System by all BSTX Participants.
- (b) A Market Maker must satisfy the responsibilities and duties as set forth in paragraph (a) of this Rule during the Core Trading Hours on all days in which the Exchange is open for business.
- (c) If the Exchange finds any substantial or continued failure by a BSTX Market Maker to engage in a course of dealings as specified in paragraph (a) of this Rule, such BSTX Market Maker will be subject to disciplinary action or suspension or revocation of the registration by the Exchange in one or more of the ~~security tokens~~[Securities](#) in which the BSTX Market Maker is registered. Nothing in this Rule will limit any other power of the Board of Directors under the Bylaws, Rules, or procedures of the Exchange with respect to the registration of a BSTX Market Maker or in respect to any violation by a BSTX Market Maker of the provisions of this Rule. In accordance with the Rule 13000 Series, a BSTX Participant may seek review of actions taken by the Exchange pursuant to this Rule.
- (d) *Temporary Withdrawal*. A BSTX Market Maker, other than a DMM, may apply to the Exchange to withdraw temporarily from its BSTX Market Maker status in the ~~security token~~[Security](#) in which it is registered. The BSTX Market Maker must base its request on demonstrated legal or regulatory requirements that necessitate its temporary withdrawal, or provide the Exchange an opinion of counsel certifying that such legal or regulatory basis exists. The Exchange will act promptly on such request and, if the request is granted, the Exchange may temporarily reassign the ~~security token~~[Security](#) to another BSTX Market Maker.

25220. Registration and Obligations of Designated Market Makers

- (a) *General*. BSTX-listed ~~security tokens~~[Securities](#) may be assigned to a Designated Market Maker (“DMM”) and there will be no more than one DMM per BSTX-listed ~~security token~~[Security](#).
- (b) *Registration*. A Participant must be registered as a Market Maker and approved as a DMM to be eligible to receive an allocation as a DMM under Rule 25230.
- (1) Reserved.
- (2) BSTX Market Makers must file an application in writing in such form as required by the Exchange to be considered eligible to receive an allocation as a DMM. In reviewing an application, the Exchange may consider the BSTX Market Maker’s market making ability, capital available for market making, and such other factors as the Exchange deems appropriate, including those set forth in Rules 25230(f) and 25240. After reviewing the application, the

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Exchange will either approve or disapprove the applicant BSTX Market Maker's registration as a DMM.

- (3) A BSTX Participant registered as a DMM in a ~~security token~~Security may also be registered as a Market Maker in such ~~security token~~Security pursuant to Rule 25200 only if such BSTX Participant maintains information barriers between the trading unit operating as a DMM and the trading unit operating as a BSTX Market Maker in the same ~~security token~~Security.
 - (4) A DMM may apply to withdraw temporarily from its DMM status in one or more assigned ~~security tokens~~Securities. The DMM must base its request on demonstrated legal or regulatory requirements that necessitate its temporary withdrawal, or provide the Exchange an opinion of counsel certifying that such legal or regulatory basis exists. The Exchange will act promptly on such request and, if the request is granted, the Exchange may temporarily reassign the ~~security token or security tokens~~Security or Securities to another DMM. The DMM temporarily assigned such ~~security token or security tokens~~Security or Securities will be subject to the obligations set forth in paragraph (c) of this Rule when acting as a temporary DMM in such ~~security token or security tokens~~Security or Securities. The Exchange is not required to assign a DMM if the ~~security token~~Security has an adequate number of BSTX Market Makers assigned to such ~~security token~~Security.
 - (5) A DMM may not be registered in a ~~security token~~Security of an issuer, or a partner or subsidiary thereof, if such entity is an approved person or affiliate of the DMM.
- (c) *DMM Obligations.* In addition to meeting the obligations set forth in Rule 25210 DMMs must maintain a bid or an offer at the National Best Bid and National Best and Offer ("inside") at least 25% of the day as measured across all BSTX-listed-~~security tokens~~Securities that have been assigned to the DMM. Time at the inside is calculated as the average of the percentage of time the DMM unit has a bid or offer at the inside.

25230. DMM Security ~~Token~~ Allocation and Reallocation

(a) *Eligibility for Security ~~Token~~ Allocation and Reallocation.*

- (1) Reserved.
- (2) A ~~security token~~Security may be allocated to a DMM when such ~~security token~~Security:
 - i. is initially listed on BSTX;
 - ii. must be reassigned under this Rule; or
 - iii. when a ~~security token~~Security is currently listed without a DMM

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assigned.

- (3) A DMM's eligibility to participate in the allocation process is determined at the time the interview is scheduled by the Exchange.
 - (4) A DMM is eligible to participate in the allocation process of a listed ~~security token~~Security if the DMM meets the quoting requirements specified in Rule 25220(c) ("DMM obligations").
 - i. If a DMM fails to meet the DMM obligations for a one-month period, the Exchange will issue an initial warning to the DMM advising it of the poor performance. The DMM must provide a written explanation and articulation of corrective action.
 - ii. If the DMM fails to meet the DMM obligations for a second consecutive month, the DMM will be ineligible to participate in the allocation process for a minimum of two months following the second consecutive month of its failure to meet its quoting requirement ("Penalty Period"). The DMM must satisfy the DMM obligations for the two consecutive months of the Penalty Period.
 - iii. If a DMM fails to meet the DMM obligations for the two consecutive months of the Penalty Period, the DMM will remain ineligible to participate in the allocation process until it has met DMM obligations for a consecutive two-calendar month period.
 - iv. The Exchange will review each DMM's trading on a monthly basis to determine whether the DMM has satisfied its DMM obligations.
- (b) *Allocation Process.* The issuer may select its DMM directly, delegate the authority to the Exchange to select its DMM, or opt to proceed with listing without a DMM, in which case a minimum of three non-DMM Market Makers must be assigned to its ~~security token~~Security consistent with Rule 26106. After the Exchange provides written notice to DMMs that the issuer is listing on BSTX, no individual associated with a DMM may contact such issuer, or the Exchange if applicable, until the allocation is made, except as otherwise provided below.

(1) Issuer Selection of DMM Unit by Interview

- i. The issuer may select multiple DMMs to interview from the pool of DMMs eligible to participate in the allocation process.
- ii. Interview Between the Issuer and DMMs
 - A. DMMs selected for an interview may provide material to the Exchange, which will be given to the issuer prior to the scheduled interview. Such material may include a corporate overview of the

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DMM. DMMs are prohibited from giving issuers information about other DMMs or any additional market performance data.

- B. Within five business days after the issuer selects the eligible DMMs to be interviewed (unless the Exchange has determined to permit a longer time period in a particular case), the issuer will meet with representatives of each of the DMMs. At least one representative of the listing company must be a senior official of the rank of Corporate Secretary or above of that company, or a designee of such senior official. In the case of the listing of a structured product, a senior officer of the issuer may be present in lieu of the Corporate Secretary. Representatives of each eligible DMM must participate in the meeting. Meetings will normally be held at the Exchange, unless the Exchange has agreed that they may be held elsewhere.
- C. Teleconference meetings will be permitted at the request of issuers in compelling circumstances.
- D. Following its interview, a DMM may not have any contact with an issuer. If an issuer has a follow-up question regarding any DMM(s) it interviewed, it must be conveyed to the Exchange. The Exchange will contact the DMM(s) to which the question pertains and will provide any available information received from the DMM(s) to the listing company.
- E. Within two business days of the issuer's interviews with the DMMs, the issuer will select its DMM in writing, signed by a senior official of the rank of Corporate Secretary or higher, or in the case of a structured product listing, a senior officer of the issuer, duly authorized to so act on behalf of the company. The Exchange will then confirm the allocation of the ~~security-token~~Security to that DMM, at which time the ~~security-token~~Security will be deemed to have been so allocated. An issuer may request an extension from the Exchange if the issuer is unable to complete its selection within the specified period.

(2) Exchange Selection of DMM by Delegation

- i. If the issuer delegates authority to the Exchange to select its DMM, an Exchange Selection Panel ("ESP") will be convened to select a DMM. The ESP will consist of three Exchange employees designated by the CEO of the Exchange. Such issuer may choose to submit a letter to the ESP indicating its preference and supporting justification for a particular DMM. The ESP may consider such letter in performing its duty to select a DMM for the issuer. The ESP may also interview one or more

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individuals associated with a DMM.

- ii. The ESP will select the DMM and inform the issuer of its selection.
- (3) The DMM selected to receive the ~~security token~~Security allocation will be required to remain the assigned DMM for one year from the date that the issuer begins trading on BSTX. The Exchange may shorten such period upon compelling circumstances.
 - (4) *Spin-Off or Related Company*. If a listing company is a spin-off of or a company related to a listed company, the listing company may remain with the DMM registered in the related listed company or be allocated through the allocation process under paragraph (b) of this Rule. The Exchange will honor a request by a spin-off company or company related to a listed company to have its DMM selected by the Exchange under paragraph (b)(2) of this Rule instead of being allocated to the DMM that is its listed company's DMM. A DMM that is ineligible to receive a new allocation due to its failure to meet the DMM obligations will remain eligible to receive the spin-off and listing of related companies.
 - (5) *Warrants*. A warrant issued by a listed company and traded on BSTX is allocated to the DMM registered in the underlying ~~security token~~Security of the listed company. Upon request by the issuer, the warrant may be allocated through the allocation process under paragraph (b) of this Rule.
 - (6) *Rights*. Rights traded on BSTX are not subject to the provisions of this Rule and are assigned, when issued, to a DMM by the Exchange.
 - (7) *Relistings*. Relistings are treated as new listings and may be allocated through the allocation process under paragraph (b) of this Rule. If the relisting chooses to have its DMM selected by the Exchange under paragraph (b)(2) of this Rule and requests not to be allocated to its former DMM, such request will be honored. A DMM that is ineligible to receive a new allocation due to its failure to meet the DMM obligations will remain eligible to receive an allocation under this paragraph.
 - (8) *Equity Security ~~Token~~ listing after Preferred Security ~~Token~~*. When a company applies to list an issue of equity ~~security tokens~~Securities after having listed a preferred issue, the equity ~~security token~~Security is referred for allocation through the allocation process under paragraph (b) of this Rule. A DMM that is ineligible to receive a new allocation due to its failure to meet the DMM obligations will remain eligible to receive an allocation under this paragraph.
 - (9) *Listed Company Mergers*. When two Exchange-listed companies merge, the merged company may select one of the DMMs trading the merging companies without the ~~security token~~Security being referred for reallocation, or it may request that the matter be referred for allocation through the allocation process under paragraph (b) of this Rule. A DMM that is ineligible to receive a new

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allocation due to its failure to meet the DMM obligations will remain eligible to be selected pursuant to this paragraph in its capacity as the DMM for one of the two pre-merger companies, but will not be eligible to participate in the allocation process if the post-merger listed company requests that the matter be referred for allocation through the allocation process under paragraph (b) of this Rule.

- i. If the merging company chooses to have its DMM selected by the Exchange under paragraph (b)(2) of this Rule, the company may not request that the Exchange not allocate the ~~security token~~Security to one of the DMMs trading the merging company. A DMM that is ineligible to receive a new allocation due to its failure to meet the DMM obligations will remain eligible to receive an allocation under this paragraph.
- ii. In situations involving the merger of a listed company and an unlisted company, the merged company may choose to remain registered with the DMM that had traded the listed company entity in the merger, or it may request that the matter be referred for allocation through the allocation process under paragraph (b) of this Rule. A DMM that is ineligible to receive a new allocation due to its failure to meet the DMM obligations will remain eligible to be selected pursuant to this paragraph in its capacity as the DMM for the pre-merger listed company, but will not be eligible to participate in the allocation process if the post-merger listed company requests that the matter be referred for allocation through the allocation process pursuant to paragraph (b) of this Rule.
- iii. If the unlisted company chooses to have its DMM selected by the Exchange pursuant to paragraph (b)(2) of this Rule, the company may not request that the Exchange exclude from consideration the DMM that had traded the listed company. A DMM that is ineligible to receive a new allocation due to its failure to meet the DMM obligations will remain eligible to receive an allocation under this paragraph.

(10)

Target ~~security token~~Security.

- i. If a tracking (“target”) ~~security token~~(s)Security (or Securities) is issued by a listed company, the listed company may choose to have its newly-issued tracking ~~security token~~(s)Security (or Securities) stay with the DMM registered in the listed company that issued the tracking ~~security token~~(s)Security (or Securities) or be referred for allocation through the allocation process under paragraph (b) of this Rule. A DMM that is ineligible to receive a new allocation due to its failure to meet the DMM obligations will remain eligible to receive an allocation under this paragraph.
- ii. If the listed company chooses to have the DMM of the tracking ~~security tokens~~(s)Security (or Securities) selected by the Exchange pursuant to

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paragraph (b)(2) of this rule, the DMM registered in such ~~security token~~Security prior to a separate listing will remain registered in such ~~security token~~Security after its separate listing, unless the listing company requests that the matter be referred for allocation through the allocation process under paragraph (b) of this Rule. In such a case, the Exchange will honor the company's request not to be allocated to the DMM that had traded the target ~~security token~~Security. A DMM that is ineligible to receive a new allocation due to its failure to meet the DMM obligations will remain eligible to receive an allocation under this paragraph.

- (11) *Closed-End Management Investment Companies ("Funds")*. Funds listing on BSTX will be subject to the allocation process under paragraph (b) of this Rule. If the issuer of an initial Fund lists additional funds within nine months from the date of its initial listing, the issuer may choose to maintain the same DMM for those subsequently listed funds or it may select a different DMM from the group of eligible DMMs that the issuer interviewed or reviewed in the allocation process for its initial fund. The fund may also delegate the selection of its DMM to the Exchange if it so chooses under paragraph (b)(2) of this Rule.
- i. If a DMM is ineligible from participating in an allocation at the time of a subsequent new Fund listing (within the designated nine-month period), that DMM will not be included for consideration for subsequent listings.
 - ii. In any case where all the Funds in a group of closed-end management investment companies are being listed concurrently with a common investment adviser or investment advisers who are "affiliated persons" pursuant to the alternate criteria in Rule 26000 Series of the BSTX Listing Guide (for groups where one or more Funds do not meet the ordinary requirement for public market value of \$16,000,000), the entire group should be allocated to one DMM, unless there are factors, such as the number of funds in the group, the types of funds, or the relative values of the funds, that the Exchange believes make allocation to more than one DMM appropriate.

(c) *Reallocation Process*.

- (1) A listed company may file with the Corporate Secretary of the Exchange a written notice (the "Issuer Notice"), signed by the company's chief executive officer, that it wishes to request a change of DMM. The Issuer Notice will indicate the specific issues prompting this request. The Corporate Secretary will provide copies of the Issuer Notice to the DMM currently registered in the ~~security token~~Security and the Exchange's staff.
 - i. Exchange staff will review the Issuer Notice and any DMM response and may request a review of the matter by the Exchange's Regulatory Oversight Committee. No change of DMM may occur until Exchange

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staff makes a final determination that it is appropriate to permit such change. In making such determination, Exchange staff may consider all relevant regulatory issues, including without limitation whether the requested change appears to be in aid or furtherance of conduct that is illegal or violates Exchange rules, or in retaliation for a refusal by a DMM to engage in conduct that is illegal or violates Exchange rules. Notwithstanding Exchange staff review of any matter raised during the process described herein, the Exchange may at any time take any regulatory action that it may determine to be warranted.

- ii. At the completion of the Exchange staff review, the ~~security-token~~Security will be put up for allocation under paragraph (b) of this Rule.
 - iii. No negative inference for allocation or regulatory purposes is to be made against a subject DMM in the event that a DMM is changed under paragraph (c) of this Rule. Similarly, the DMM will not be afforded preferential treatment in subsequent allocations as a result of a change pursuant to such provision.
- (2) In any instance where a DMM's performance in a particular market situation was, in the judgment of the Exchange, so egregiously deficient as to call into question the Exchange's integrity or impair the Exchange's reputation for maintaining an efficient, fair, and orderly market, the CEO or his or her designee may immediately initiate a reallocation proceeding upon written notice to the DMM and the issuer specifying the reasons for the initiation of the proceeding.
- i. Following this decision, if the CEO or his or her designee makes a final determination that a ~~security-token~~Security should be referred for reallocation, the CEO or his or her designee will, in his or her expert business judgment, be responsible for reallocating the ~~security-token~~Security to one of the remaining DMMs eligible for allocation.
 - ii. The CEO or his or her designee will then make a final determination as to which one or more of the DMM's ~~security token(s)~~Security (or Securities) will be referred for reallocation. All determinations made by the CEO or his or her designee will be communicated in writing to the DMM, with a statement of the reasons for such determinations.
 - iii. A decision by the Exchange that one or more ~~security tokens~~Securities should be reallocated will be final, subject to the DMM's right to have such decision reviewed by the Exchange's Board of Directors.
 - iv. In the event that a DMM asserts its right to review, no reallocation may occur until the Board of Directors completes its review.

(d) *Allocation Freeze Policy*. If a DMM:

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- (1) loses its registration as a DMM in a ~~security token~~ Security as a result of proceedings under the Rule 12000 or 13000 Series as applicable;
 - (2) or voluntarily withdraws its registration in a ~~security token~~ Security assigned to it as a result of possible proceedings under those rules, the DMM will be ineligible to apply for future allocations for the six month period immediately following the reassignment of the ~~security token~~ Security (“Allocation Prohibition”).
 - i. Following the Allocation Prohibition, a second six-month period will begin during which a DMM may participate in the allocation process under Rule 25230(b), if Exchange staff determines that such DMM may participate in such allocation process. In making this determination, Exchange staff will consider the DMM’s particular situation and may consider whether the DMM has taken one or more steps:
 - A. supplying additional manpower/experience;
 - B. making changes in professional staff;
 - C. attaining appropriate dealer participation;
 - D. enhancing back-office staff; and
 - E. implementing more stringent supervision/new procedures.
- (e) *Allocation Sunset Policy.* Allocation decisions will remain effective with respect to any initial public offering listing company that lists on BSTX within 18 months of such decision. In situations in which the selected DMM merges or is involved in a combination within the 18-month period, the company may choose whether to stay with the selected DMM, or be referred to allocation. If a listing company does not list within 18 months, the matter will be referred for allocation through the allocation process under paragraph (b) of this Rule.
- (f) Criteria for applicants that are not currently DMMs to be eligible to be allocated a ~~security token~~ Security as a DMM.
- (1) Since an entity seeking to enter the DMM business does not have a history directly comparable to that of existing DMMs, the Exchange considers the following criteria with respect to such Participants.
 - i. The proposed DMM must demonstrate that it understands the DMM business, including the needs of issuers.
 - ii. The proposed DMM must demonstrate an ability and willingness to trade as necessary to maintain fair and orderly markets. If the proposed DMM or any of its participants is currently a DMM or market maker on any exchange, performance during the prior 12 months, as evidenced by available data maintained by such exchange that evaluates the quality of

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performance of the unit or its participants as a DMM or market maker on such exchange, will be considered by the Exchange.

- iii. Other factors that will be considered by the Exchange include any action taken or warning issued within the past 12 months by any regulatory or self-regulatory organization against the unit or any of its participants with respect to any capital or operational problem, or any regulatory or disciplinary matter.

25240. DMM Combination Review Policy

- (a) No DMM will complete a “proposed combination” (as defined below in paragraph (b) of this rule) with one or more other DMMs unless the combination has been approved by the Exchange.
- (b) For purposes of this rule, a “proposed combination” means:
 - (1) a transaction in which two or more DMMs agree to merge or otherwise combine their businesses, with the result that the total number of existing independent DMMs will be reduced;
 - (2) two or more DMMs agree to combine their businesses with the result that the existing number of DMMs will not be reduced, but one or more of the surviving units is substantially reduced in size; or
 - (3) a DMM merges or otherwise combines with a non-DMM business resulting in a change of control of the existing DMM.
- (c) Proponents of a DMM combination must make a written submission to the Office of the Corporate Secretary of the Exchange, discussing all the factors for review pursuant to subparagraph (d) below. The written submission should also address and discuss:
 - (1) performance in any securities, including ~~security tokens~~[Securities](#), received through previous combinations or transfers of registrations during the preceding two years;
 - (2) whether the proposed combined DMM will have a real-time surveillance system that monitors DMM trading and uses exception alerts to detect unusual trades or trading patterns;
 - (3) whether the proposed combined DMM will have disaster recovery facilities for its computer network and software; and
 - (4) whether the combined DMM will designate a senior staff member to be responsible for reviewing DMM performance data, with specific procedures for correcting any deficiencies identified.
- (d) The Exchange will consider the following criteria in its review of a proposed

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- ii. foster competition among DMMs; and
 - iii. enhance the performance of the constituent DMM and the quality of the markets in the ~~security tokens~~Securities involved.
- (g) The Exchange may condition its approval upon compliance by the resulting DMM with any steps the Exchange may specify to address any concerns it may have in regard to considerations of the above criteria.
- (h) In any instance where the Exchange does not approve a proposed DMM combination, the proponents of such proposed combination have a right to have such decision reviewed by the Exchange's Board of Directors.

26000 – BSTX LISTING RULES**26000. Definitions**

- (a) With respect to these BSTX Listing Standards, the following terms shall have the meanings specified in this Rule 26000. A term defined elsewhere in these Rules shall have the same meaning with respect to this Rule 26000 Series, unless otherwise defined below.
- (1) The term “BSTX Listing Standards” or “BSTX Listing Requirements” refer to the Exchange’s Rules, policies, and any supplemental material governing the listing of ~~security tokens~~Securities on BSTX.
 - (2) The term ~~“BSTX Security Token Protocol” or~~ “BSTX Protocol” refers to the specific requirements that a ~~security token~~Security on BSTX must have in order to be admitted to trading on BSTX. The BSTX Protocol is made publicly available on the Exchange’s website.
 - (3) The term “Covered Security” means a security described in Section 18(b) of the Securities Act of 1933.
 - (4) The term “Initial Security ~~Token~~ Offering” or ~~“ISTO”~~ means the public offering of a company’s equity ~~security token~~Security where such security being the company’s Primary Equity Security.
 - (5) The terms “public distribution” and “public ~~security token~~Security holders” as used herein include both shareholders of record and beneficial holders, but are exclusive of the holdings of officers, directors, controlling shareholders and other concentrated (i.e. 10% or greater), affiliated or family holdings.
 - (6) The term “Primary Equity Security” means a company’s first class of common stock, equity ~~security tokens~~Securities, Ordinary Shares, Shares or Certifications of Beneficial Interest of Trust, Limited Partnership Interests, or American Depositary Receipts (“ADRs”) or Shares (“ADRs”).
 - (7) The term “Round Lot” means 100 ~~security tokens~~Securities of a particular issuer.
 - (8) The term “shareholder” means a record or beneficial owner of a security,

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including a ~~security token~~Security.

26101. General

The approval of an application for the listing of a ~~security token~~Security for trading on BSTX is a matter solely within the discretion of the Exchange. The Exchange has established certain minimum numerical standards, set forth below. The fact that an applicant may meet the Exchange's numerical standards does not necessarily mean that its application will be approved. Other factors which will also be considered include, but are not limited to, the nature of an issuer's business, the market for its products, its regulatory history, its past corporate governance activities, the reputation of its management, its historical record and pattern of growth, its financial integrity (including, but not limited to, any filing for protection under any provision of the federal bankruptcy laws or comparable foreign laws, the issuance by an issuer's independent accountants of a disclaimer opinion on financial statements required to be audited, or failure to provide a required certification along with financial statements), its demonstrated earning power and its future outlook.

For an ~~ISTO~~Initial Security Offering on BSTX, a company's ~~security token~~Security must meet the following requirements:

(a) Initial Listing Standard 1

- (1) Size—~~security token~~Security holder's equity of at least \$4,000,000.
- (2) Income—Pre-tax income from continuing operations of at least \$750,000 in its last fiscal year (with operating history of at least one year), or in two of its last three fiscal years.
- (3) Distribution— Meet the standard in Rule 26102(a).
- (4) Aggregate Market Value of Publicly Held ~~Security Tokens~~Securities – \$3,000,000.
- (5) Security ~~token~~ Price/Market Value of ~~security tokens~~Securities Publicly Held—See Rule 26102(b).

(b) Initial Listing Standard 2

- (1) History of Operations—Two years of operations.
- (2) Size—~~security token~~Security holder's equity of at least \$5,000,000.
- (3) Distribution— Meet the standard in Rule 26102(a).
- (4) Aggregate Market Value of Publicly Held ~~Security Tokens~~Securities—\$15,000,000.
- (5) Security ~~Token~~ Price/Market Value of ~~Security Tokens~~Securities Publicly Held—See Rule 26102(b).

(c) Initial Listing Standard 3

- (1) Size—~~security token~~Security holder's equity of at least \$4,000,000.

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- (2) Total Value of Market Capitalization—\$50,000,000.
 - (3) Aggregate Market Value of Publicly Held ~~security tokens~~Securities—\$15,000,000.
 - (4) Distribution— Meet the standard in Rule 26102(a).
 - (5) Security ~~Token~~ Price/Market Value of ~~Security Tokens~~Securities Publicly Held—See Rule 26102(b).
- (d) Initial Listing Standard 4
- (1) Total Value of Market Capitalization—\$75,000,000; or Total assets and total revenue—\$75,000,000 each in its last fiscal year, or in two of its last three fiscal years.
 - (2) Aggregate Market Value of Publicly Held ~~Security Tokens~~Securities—\$20,000,000.
 - (3) Distribution— Meet the standard in Rule 26102(a).
 - (4) Security ~~Token~~ Price/Market Value of ~~Security tokens~~Securities Publicly Held—See Rule 26102(b).
- (e) For purposes of this Rule 26101(e), a “Reverse Merger” means any transaction whereby an operating company becomes an Exchange Act reporting company by combining directly or indirectly with a shell company which is an Exchange Act reporting company, whether through a reverse merger, exchange offer, or otherwise. However, a Reverse Merger does not include the acquisition of an operating company by a listed company which qualified for initial listing under Rule 26119. In determining whether a company is a shell company, the Exchange will consider, among other factors: whether the Company is considered a “shell company” as defined in Rule 12b-2 under the Exchange Act; what percentage of the company’s assets are active versus passive; whether the company generates revenues, and if so, whether the revenues are passively or actively generated; whether the company’s expenses are reasonably related to the revenues being generated; how many employees work in the company’s revenue-generating business operations; how long the company has been without material business operations; and whether the company has publicly announced a plan to begin operating activities or generate revenues, including through a near-term acquisition or transaction. In order to qualify for initial listing, a company that is formed by a Reverse Merger (a “Reverse Merger Company”) must comply with one of the initial listing standards set forth in Rules 26101 (a)—(d) and the applicable requirements of Rule 26102. In addition to satisfying all of the Exchange’s other initial listing requirements, a Reverse Merger Company shall be eligible to submit an application for initial listing only if the combined entity has, immediately preceding the filing of the initial listing application:
- (1) traded for at least one year in the U.S. over-the-counter market, on another national securities exchange or on a regulated foreign exchange following the consummation of the Reverse Merger and (i) in the case of a domestic issuer, has filed with the Commission a Form 8-K containing all of the information required by Item 2.01(f) of Form 8-K, including all required audited financial statements,

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after the consummation of the Reverse Merger, or (ii) in the case of a foreign private issuer, has filed all of the information described in (i) above on Form 20-F;

- (2) maintained a closing price equal to the ~~security token~~Security price requirement applicable to the initial listing standard under which the Reverse Merger Company is qualifying to list for a sustained period of time, but in no event for less than 30 of the most recent 60 trading days prior to the filing of the initial listing application; and
- (3) filed with the Commission all required reports since the consummation of the Reverse Merger, including the filing of at least one annual report containing all required audited financial statements for a full fiscal year commencing on a date after the date of filing with the Commission of the filing described in (1) above.

In addition, in order to qualify for listing, a Reverse Merger Company must have timely filed all required reports for the most recent 12-month period prior to the listing date.

In addition, a Reverse Merger Company will be required to maintain a closing price equal to the ~~security token~~Security price requirement applicable to the initial listing standard under which the Reverse Merger Company is qualifying to list for a sustained period of time, but in no event for less than 30 of the most recent 60 trading days prior to the date of the Reverse Merger Company's listing.

The Exchange may in its discretion impose more stringent requirements than those set forth above if the Exchange believes it is warranted in the case of a particular Reverse Merger Company based on, among other things, an inactive trading market in the Reverse Merger Company's securities, the existence of a low number of publicly held shares that are not subject to transfer restrictions, if the Reverse Merger Company has not had a Securities Act registration statement or other filing subjected to a comprehensive review by the Commission, or if the Reverse Merger Company has disclosed that it has material weaknesses in its internal controls which have been identified by management and/or the Reverse Merger Company's independent auditor and has not yet implemented an appropriate corrective action plan.

A Reverse Merger Company will not be subject to the requirements of this Rule 26101(e) if it is listing in connection with a firm commitment underwritten public offering where the proceeds to the Reverse Merger Company will be at least \$40,000,000 and the offering is occurring subsequent to or concurrently with the Reverse Merger. In addition, a Reverse Merger Company will not be subject to the requirement of this Rule 26101(e) that it must maintain a closing price equal to the ~~security token~~Security price requirement applicable to the initial listing standard under which the Reverse Merger Company is qualifying to list for at least 30 of the most recent 60 days prior to each of the filing of the initial listing application and the date of the Reverse Merger Company's listing, if it has satisfied the one-year trading requirement contained in paragraph (1) above and has filed at least four annual reports with the Commission which each contain all required audited financial statements for a full fiscal year commencing after filing the information described in paragraph (1) above. However, such companies will be required to (i) comply with the applicable price requirement of Rule 26102(b) at the time of each of the filing

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of the initial listing application and the date of the Reverse Merger Company's listing and (ii) not be delinquent in their filing obligations with the Commission. In either of the cases described in this paragraph, the Reverse Merger Company will only need to meet the requirements of one of the financial initial listing standards in Rule 26101(a) in addition to all other applicable non-financial listing standard requirements, including, without limitation, the requirements of Rules 26102(a) and 26102(b) and the applicable corporate governance requirements of the Rule 26800 Series.

(f) Reserved.

(g) Closed-End Management Investment Companies—The Exchange will generally authorize the listing of a closed-end management investment company registered under the Investment Company Act of 1940 (a “Closed-End Fund”) that meets the following criteria:

(1) Size—market value of publicly held ~~security tokens~~Securities or net assets of at least \$20,000,000; or

(2) A Closed-End Fund which is part of a group of Closed-End Funds which are or will be listed on BSTX, and which are managed by a common investment adviser or investment advisers who are “affiliated persons” as defined in Section 2(a)(3) of the Investment Company Act of 1940 as amended (the “Group”), is subject to the following criteria:

i. The Group has a total market value of publicly held ~~security tokens~~Securities or net assets of at least \$75,000,000;

ii. The Closed-End Funds in the Group have an average market value of publicly held ~~security tokens~~Securities or net assets of at least \$15,000,000; and

iii. Each Closed-End Fund in the Group has a market value of publicly held ~~security tokens~~Securities or net assets of at least \$10,000,000.

(3) Distribution—See Rule 26102(a).

(h) Additional criteria applicable to various classes of ~~security tokens~~Securities and issuers are set forth below. Applicants should also consider the policies regarding conflicts of interest, independent directors and voting rights described in Rules 26120-26125.

(i) Initial Listing Requirements for Secondary Classes.

(1) When the Primary Equity Security is listed on BSTX or is a Covered Security, a company's secondary class as an equity ~~security token~~Security must meet all of the requirements in Rules (i) through (iv) below in order to be listed.

i. Minimum bid price of at least \$4 per ~~security token~~Security;

ii. At least 100 Round Lot holders;

iii. At least 200,000 publicly held ~~security tokens~~Securities; and

iv. Market value of publicly held ~~security tokens~~Securities of at least \$3.5

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million.

- (2) In the event the company's Primary Equity Security is not listed on BSTX or is not a Covered Security, the secondary class as an equity ~~security token~~Security may be listed on BSTX so long as it satisfies the initial listing criteria for ~~security tokens~~Securities set forth in the initial listing standards outlined above in Rule 26101.
- (3) The listing requirements for preferred ~~security tokens~~Securities can be found in Rule 26103.
- (4) For the avoidance of doubt, the provisions of Rule 26102 shall not apply to this paragraph (i) of Rule 26101.

IM-26101-01 Corporate Governance Standards

In addition to the numerical listing standards, the Exchange has adopted certain corporate governance listing standards, which are set forth in Rule 26800 Series.

IM-26101-02

Reserved

26102. Equity Issues

- (a) Distribution— meet a least one of the following standards:
 - (1) minimum public distribution of 1,000,000 ~~security tokens~~Securities together with a minimum of 400 public ~~security token~~Security holders.
- (b) Stock Price/Market Value of ~~Security Tokens~~Securities Publicly Held—The Exchange requires a minimum market price of \$4 per ~~security token~~Security for applicants seeking to qualify for listing pursuant to Rule 26101.
- (c) Voting Rights—See Rule 26122.

26103. Preferred ~~Security Tokens~~Securities

The listing of preferred issues is considered on a case by case basis, in light of the suitability of the issue for trading on BSTX.

The Exchange, as a general rule, will not consider listing the convertible preferred ~~security tokens~~Securities of a company unless current last sale information is available with respect to the underlying common stock or equity ~~security token~~Security into which the preferred ~~security token~~Security is convertible.

Companies applying for listing of a preferred ~~security token~~Security are expected to meet the following criteria:

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- (a) Size and Earnings—The company appears to be in a financial position sufficient to satisfactorily service the dividend requirements for the preferred ~~security-token~~Security and meets the size and earnings criteria set forth in Rule 26101 above.
- (b) Distribution—In the case of an issuer whose Primary Equity Security is listed on BSTX or is a Covered Security, the preferred ~~security-token~~Security must satisfy one of the following standards:

(1) Preferred Security ~~Token~~ Distribution Standard 1.

Publicly Held Security Tokens <u>Securities</u>	100,000
Aggregate Public Market Value/Price	\$2,000,000/\$10

(2) Preferred Security ~~Token~~ Distribution Standard 2.

- i. Minimum bid price of at least \$4 per ~~security-token~~Security;
- ii. At least 100 Round Lot holders;
- iii. At least 200,000 Publicly Held ~~Security Tokens~~Securities; and
- iv. Market Value of Publicly Held ~~Security Tokens~~Securities of at least \$3.5 million.

To ensure adequate public interest in the preferred ~~security-token~~Security of non-listed issuers, the Exchange has established the following standards, which shall apply to all subsections of this paragraph (b):

Preferred Security Tokens <u>Securities</u> Publicly Held	400,000
Public Round-Lot Security Token Holders	800
Aggregate Public Market Value/ Minimum Bid Price	\$4,000,000/\$10

Alternatively, in the event the Company's Primary Equity Security is not listed on BSTX or is not a Covered Security, the preferred ~~security-token~~Security may be listed on BSTX so long as it satisfies the initial listing criteria for ~~security tokens~~Securities set forth in the initial listing standards outlined above in Rule 26101.

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- (c) Voting Rights—See Rule 26124.
- (d) Conversion Provisions—The Exchange will not list convertible preferred ~~security-tokens~~Securities containing a provision which gives the company the right, at its discretion, to reduce the conversion price for periods of time or from time to time unless the company establishes a minimum period of ten business days within which such price reduction will be in effect.

26104. Reserved**26105. Warrant ~~Security-Tokens~~Securities**

The listing of warrant ~~security-tokens~~Securities is considered on a case by case basis. The Exchange will not consider listing the warrant ~~security-token~~Security of a company unless the equity ~~security-token~~Security or other class of ~~security-tokens~~Securities underlying the warrants are listed and in good standing on BSTX and there are at least 200,000 warrant ~~security-tokens~~Securities publicly held by not less than 100 public warrant holders; provided such standards are met, the Exchange may also consider the listing of warrant ~~security-tokens~~Securities of a company if the security underlying the warrants is a Covered Security and in good standing on their primary market. In addition, to be listed, warrant ~~security-tokens~~Securities issues are expected to meet the following criteria:

- (a) Exercise Provisions—The Exchange will not list warrant ~~security-tokens~~Securities containing provisions which give the company the right, at its discretion, to reduce the exercise price of the warrants for periods of time, or from time to time, during the life of the warrants unless (i) the company undertakes to comply with any applicable tender offer regulatory provisions under the federal securities laws, including a minimum period of 20 business days within which such price reduction will be in effect (or such longer period as may be required under the SEC’s tender offer rules) and (ii) the company promptly gives public notice of the reduction in exercise price in a manner consistent with the Exchange’s immediate release policy set forth in Rule 26401 and 26402 hereof. The Exchange will apply the requirements in the preceding sentence to the taking of any other action that has the same economic effect as a reduction in the exercise price of a listed warrant. This policy will not preclude the listing of warrant ~~security-tokens~~Securities for which regularly scheduled and specified changes in the exercise price have been previously established at the time of issuance of the warrants.
- (b) Warrant issuers are advised that the Exchange requires advance notice of any extension of the Expiration Date of the ~~security-token~~WarrantsSecurity warrants. It is suggested that warrant issuers provide at least two months notice in this regard, but in no event less than 20 days. (See Rule 26920.)
- (c) Whenever a company having warrants listed on BSTX effects a split of 3 for 2 or greater in the underlying ~~security-token~~Security or security, the Exchange requires that a corresponding split be made in the warrants.

26106. Market Maker Requirement

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- (a) Unless otherwise provided, all ~~security tokens~~Securities listed pursuant to the BSTX Listing Standards must meet one of the following requirements:
- (1) DMM Requirement: a DMM must be assigned to the ~~security token~~Security;
or
 - (2) Active Market Maker Requirement:
 - i. For initial inclusion the ~~security token~~Security must have at least three registered and active Market Makers; and
 - ii. For continued listing, a ~~security token~~Security must have at least two registered and active Market Makers, one of which may be a Market Maker entering a stabilizing bid.

26107. Reserved**26108. Assessable Securities**

The Exchange will not accept applications to list assessable securities.

26109. Canadian Companies

The financial criteria for listing ~~security tokens~~Securities of Canadian companies are the same as for United States companies (see Rule 26101). With respect to public distribution (Rule 26102), consideration will be given to the total number of ~~security token~~Security holders and publicly held ~~security tokens~~Securities in Canada and the United States. Current U.S. market interest will also be considered in evaluating the suitability of the issue for trading BSTX.

26110. Reserved**26111. One Product/One Customer Complaints**

As indicated in Rule 26101, the character of the market for an applicant's products is an important element in considering original listing applications. Thus, even though a particular company meets all BSTX's numerical criteria, it may not be eligible for listing if it:

- (a) produces a single product or line of products or engages in a single service; and/or
- (b) sells such product or products to, or performs such service for, only one or a limited number of customers.

26112 - 26116 Reserved**26117. Paired ~~Security Tokens~~Securities**

The Exchange may consider the listing of paired ~~security tokens~~Securities (that is, ~~security tokens~~Securities which may be transferred and traded only in combination with one another as a single economic unit) based on the ability of the combined entity to satisfy the size and earnings criteria set forth in Rule 26101.

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In the event the pairing agreement is terminated, the entity which initially met the original listing standards need only satisfy the Exchange's continued listing standards in order to remain on BSTX. The other entity, however, which at the time of listing did not by itself qualify under Rule 26101, must, at the time of termination, meet both the financial (Rule 26101) and distribution (Rule 26102) standards in order to remain listed on BSTX.

26118. Reserved**26119. Listing of Companies Whose Business Plan Is to Complete One or More Acquisitions**

Generally, the Exchange will not permit the initial or continued listing of a company that has no specific business plan or that has indicated that its business plan is to engage in a merger or acquisition with an unidentified company or companies.

However, in the case of a company whose business plan is to complete an initial public offering and engage in a merger or acquisition with one or more unidentified companies within a specific period of time, the Exchange will permit the listing if the company meets all applicable initial listing requirements, as well as the conditions described below.

- (a) At least 90% of the gross proceeds from the initial public offering and any concurrent sale by the company of equity ~~security tokens~~ Securities must be deposited in a trust account maintained by an independent trustee, an escrow account maintained by an "insured depository institution", as that term is defined in Section 3(c)(2) of the Federal Deposit Insurance Act, or in a separate bank account established by a registered broker or dealer (collectively, a "deposit account").
- (b) Within 36 months of the effectiveness of its initial public offering registration statement, or such shorter period that the company specifies in its registration statement, the company must complete one or more business combinations having an aggregate fair market value of at least 80% of the value of the deposit account (excluding any deferred underwriter's fees and taxes payable on the income earned on the deposit account) at the time of the agreement to enter into the initial combination.
- (c) Until the company has satisfied the condition in paragraph (b) above, each business combination must be approved by a majority of the company's independent directors.
- (d) Until the company has satisfied the condition in paragraph (b) above, if the company holds a shareholder vote on a business combination for which the company must file and furnish a proxy or information statement subject to Regulation 14A or 14C under the Securities Exchange Act of 1934 in advance of the shareholder meeting, the business combination must be approved by a majority of the ~~security tokens~~ Securities voting at the meeting at which the combination is being considered. If a shareholder vote on the business combination is held, public ~~security token~~ Security holders voting against a business combination must have the right to convert their ~~security tokens~~ Securities into a pro rata share of the aggregate amount then in the deposit account (net of taxes payable and amounts distributed to management for working capital purposes) if the business

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combination is approved and consummated. A company may establish a limit (set no lower than 10% of the ~~security tokens~~Securities sold in the initial public offering) as to the maximum number of ~~security tokens~~Securities with respect to which any shareholder, together with any affiliate of such shareholder or any person with whom such shareholder is acting as a “group” (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934), may exercise such conversion rights. For purposes of this paragraph (d), public shareholder excludes officers and directors of the company, the company’s sponsor, the founding shareholders of the company, any family member or affiliate of any of the foregoing persons, and other concentrated holdings of 10% or more. For purposes of this Rule, “family member” means a person’s spouse, parents, children and siblings, whether by blood, marriage or adoption, or anyone residing in such person’s home.

(e) Until the company has satisfied the condition in paragraph (b) above, if a shareholder vote on the business combination is not held for which the company must file and furnish a proxy or information statement subject to Regulation 14A or 14C under the Securities Exchange Act of 1934, the company must provide all shareholders with the opportunity to redeem all their ~~security tokens~~Securities for cash equal to their pro rata share of the aggregate amount then in the deposit account (net of taxes payable and amounts distributed to management for working capital purposes), pursuant to Rule 13e-4 and Regulation 14E under the Securities Exchange Act of 1934, which regulate issuer tender offers. The company must file tender offer documents with the Securities and Exchange Commission containing substantially the same financial and other information about the business combination and the redemption rights as would be required under Regulation 14A of the Securities Exchange Act of 1934, which regulates the solicitation of proxies.

(f) Until the company completes a business combination where all conditions in paragraph (b) above are met, the company must notify the Exchange on the appropriate form about each proposed business combination. Following each business combination, the combined company must meet the requirements for initial listing. If the company does not meet the requirements for initial listing following a business combination or does not comply with one of the requirements set forth above, the Exchange shall commence delisting proceedings under Rule 27010 to delist the company’s ~~security tokens~~Securities. The company shall not be eligible to follow the procedures to cure deficiencies outlined in Rule 27009.

26120. Certain Relationships and Transactions

Related party transactions must be subject to appropriate review and oversight by the company’s Audit Committee or a comparable body of the Board of Directors.

26121. Corporate Governance

Each listed issuer must satisfy the Corporate Governance requirements of the Rule 26800 Series.

26122. Voting Rights

The following voting rights policy is based upon, but more flexible than, former SEC Rule 19c-1. Accordingly, the Exchange will permit corporate actions or issuances by listed companies that

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would have been permitted under Rule 19c-4, as well as other actions or issuances that are not inconsistent with the new Policy. In evaluating such other actions or issuances, the Exchange will consider, among other things, the economics of such actions or issuances and the voting rights being granted. The Exchange's interpretations under the Policy will be flexible, recognizing that both the capital markets and the circumstances and needs of listed companies change over time. The text of the Exchange's Voting Rights Policy is as follows:

Voting rights of existing shareholders of publicly traded common stock or equity ~~security tokens~~Securities registered under Section 12 of the Exchange Act cannot be disparately reduced or restricted through any corporate action or issuance. Examples of such corporate action or issuance include, but are not limited to, the adoption of time-phased voting plans, the adoption of capped voting rights plans, the issuance of super voting ~~security tokens~~Securities or stock, or the issuance of ~~security tokens or~~Securities or stock with voting rights less than the per share voting rights of the existing equity ~~security tokens~~Securities or common stock through an exchange offer.

IM-26122-1 Companies with Dual Class Structures

The above restriction against the issuance of super voting stock or ~~security tokens~~Securities is primarily intended to apply to the issuance of a new class of ~~security token~~Security or stock, and companies with existing dual class capital structures would generally be permitted to issue additional ~~security tokens~~Securities or shares of the existing super voting stock or ~~security tokens~~Securities without conflict with this policy.

IM-26122-2 Consultation with the Exchange

Violation of the Exchange's Voting Rights Policy could result in the loss of an issuer's exchange market or public trading market. The Policy can apply to a variety of corporate actions and securities issuances, not just super voting or so-called "time phase" voting. While the Policy will continue to permit actions previously permitted under Rule 19c-4, it is extremely important that listed companies communicate their intentions to their Exchange representatives as early as possible before taking any action or committing to take any action that may be inconsistent with the Policy. The Exchange urges listed companies not to assume, without first discussing the matter with the Exchange, that a particular issuance of equity or preferred ~~security tokens~~Securities, or the taking of some other corporate action will necessarily be consistent with the Policy. It is suggested that copies of preliminary proxy or other material concerning matters subject to the Policy be furnished to the Exchange for review prior to formal filing.

IM-26122-3 Review of Past Voting Rights Activities

In reviewing an application for initial listing on the Exchange, the Exchange will review the issuer's past corporate actions to determine whether another SRO has found any of the issuer's actions to have been a violation or evasion of the SRO's voting rights policy. Based on such review, the Exchange may take any appropriate action, including the denial of the listing or the

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placing of restrictions on such listing. The Exchange will also review whether an issuer seeking initial listing on the Exchange has requested a ruling or interpretation from another SRO regarding the application of that SRO's voting rights policy with respect to a proposed transaction. If so, the Exchange will consider that fact in determining its response to any ruling or interpretation that the issuer may request on the same or similar transaction.

IM-26122-4 Non-U.S. Companies

The Exchange will accept any action or issuance relating to the voting rights structure of a non-U.S. company that is in compliance with the Exchange's requirements for domestic companies or that is not prohibited by the Company's home country law.

26123. Quorum

The Exchange expects that an appropriate quorum of the ~~security tokens~~Securities issued and outstanding and entitled to vote will be provided for by the by-laws of companies applying for the original listing of voting ~~security tokens~~Securities. The Exchange recommends a quorum of at least 33 1/3%. If less is specified, the Exchange should be consulted before filing the original listing application.

26124. Preferred Voting Rights

- (a) Upon default—To be eligible for listing, the holders of a preferred ~~security token~~Security should acquire the right, voting as a class, to elect at least two members of the company's board of directors no later than two years after an incurred default in the payment of fixed dividends.
- (b) In all cases—The Exchange may decline to list a preferred ~~security token~~Security, unless preferred ~~security token~~Security holders have the right, voting as a class, to vote on:
 - (1) Alteration of Existing Provisions:
 - i. Approval by the holders of at least two-thirds of the outstanding preferred ~~security tokens~~Securities should be required for adoption of any charter or by-law amendment that would materially affect existing terms of the preferred ~~security token~~Security.
 - ii. If all series of a class of preferred ~~security token~~Security are not equally affected by a proposed change to the existing terms of the preferred-~~security token~~Security, a two-thirds approval of the class and a two-thirds approval of the series that will have a diminished status should be required to authorize such change.
 - iii. The charter should not hinder the preferred ~~security token~~Security holders' right to alter the terms of a preferred ~~security token~~Security by limiting modification to specific items, e.g., interest rate, redemption price.
 - (2) Creation of a Senior Issue:

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- i. Creation of a senior issue should require approval of at least two-thirds of the outstanding preferred ~~security tokens~~Securities. The board of directors may create a senior series of preferred ~~security token~~Security without a vote by an existing series if such action was authorized by preferred-~~security token~~Security holders at the time the existing series was created.
 - ii. A vote by an existing class of preferred ~~security token~~Security is not required for the creation of a senior issue if the existing class received adequate notice of redemption to occur within 90 days. However, a vote by an existing class is required if all or part of the existing issue is being retired with proceeds from the sale of the new issue.
- (3) Increase in Authorized Amount or Creation of a Pari Passu Issue: An increase in the authorized amount of a class of preferred ~~security tokens~~Security or the creation of a pari passu issue should be approved by at least a majority of the outstanding ~~security tokens~~Securities of the class or classes to be affected. The board of directors may increase the authorized amount of a series or create an additional series ranking pari passu without a vote by the existing series if such action was authorized by preferred ~~security token~~Security holders at the time the class of preferred ~~security token~~Security was created.

26125. Reserved**26126. Limited Partnerships**

No ~~security token~~Security issued in a limited partnership rollup transaction (as defined by Section 14(h) of the Exchange Act), shall be eligible for listing unless (i) the rollup transaction was conducted in accordance with procedures designed to protect the rights of limited partners as provided in Section 6(b)(9) of the Exchange Act, as it may from time to time be amended and (ii) a broker-dealer which is a member of a national securities association subject to Section 15A(b)(12) of the Exchange Act participates in the rollup transaction. The issuer shall further provide the Exchange with an opinion of counsel stating that such broker-dealer's participation in the rollup transaction was conducted in compliance with the rules of a national securities association designed to protect the rights of limited partners, as specified in the Limited Partnership Rollup Reform Act of 1993.

In addition to any other applicable requirements, each limited partnership listed on the Exchange shall have a corporate general partner or co-general partner which must satisfy the independent director and audit committee requirements of Rule 26803.

Note: The only currently existing national securities association subject to Section 15A(b)(12) of the Act is FINRA. Its rules designed to protect the rights of limited partners, pursuant to the Limited Partnership Rollup Reform Act of 1993, are specified in FINRA Rule 2310.

26127. Use of Discretionary Authority

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The Exchange may use its authority under the BSTX Listing Standards to deny initial or continued listing to an issuer when the issuer and/or an individual associated with the issuer has a history of regulatory misconduct. Such individuals are typically an officer, director, substantial security holder (as defined in IM-26127-1 below) or consultant to the issuer. In making this determination, the Exchange shall consider a variety of factors, including the severity of the violation; whether it involved fraud or dishonesty; whether it was securities-related; whether the investing public was involved; when the violation occurred; how the individual has been employed since the violation; whether there are continuing sanctions against the individual; whether the individual made restitution; whether the issuer has taken effective remedial action; and the totality of the individual's relationship to the issuer.

Based on this review, the Exchange may determine that the regulatory history rises to the level of a public interest concern, but may also consider whether remedial measures proposed by the issuer, if taken, would allay that concern. Examples of such remedial measures could include the individual's resignation from officer and director positions; divestiture of holdings; terminations of contractual arrangements between the issuer and the individual; or the establishment of a voting trust surrounding the individual's shares or ~~security tokens~~[Securities](#). Alternatively, the Exchange may conclude that a public interest concern is so serious that no remedial measure would be sufficient to alleviate it. In the event that the Exchange makes such a determination, the issuer may seek review of that determination through the procedures set forth in the Rule 27200 Series.

The Exchange may also use its discretionary authority, for example, when an issuer files for protection under any provision of the federal bankruptcy laws or comparable foreign laws, when an issuer's independent accountants issue a disclaimer opinion on financial statements required to be audited, or when financial statements do not contain a required certification.

In addition, pursuant to its discretionary authority, the Exchange shall review an issuer's past corporate governance activities. This review may include activities taking place while the issuer is listed on the Exchange or another marketplace that imposes corporate governance requirements, as well as activities taking place after a formerly listed issuer is no longer listed on the Exchange or such marketplace. Based on such review, and in accordance with Exchange listing requirements, the Exchange may take any appropriate action, including placing restrictions on or adding requirements for listing, or denying listing of a ~~security token~~[Security](#) if the Exchange determines that there have been violations or evasions of corporate governance standards. Such determinations shall be made on a case-by-case basis as necessary to protect investors and the public interest.

Although the Exchange has broad discretion to impose additional or more stringent criteria, the rules do not provide a basis for the Exchange to grant exemptions or exceptions from the enumerated criteria for initial or continued inclusion, which may be granted solely pursuant to rules explicitly providing such authority.

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An interest consisting of more than either 5% of the number of shares of common stock plus any ~~Security tokens~~Securities representing common equity or 5% of the voting power outstanding of an issuer or party shall be considered a substantial interest and cause the holder of such an interest to be regarded as a substantial security holder.

26128. Reserved**26129. Reserved****26130. Original Listing Applications**

Applicants must register the ~~security token~~Security to be listed under Section 12(b) of the Exchange Act (Rule 26210) and submit an original listing application (Rule 26211).

In addition, the applicant must provide a legal opinion that the applicant's ~~security token~~Security is a security under applicable United States securities laws.

26131. Additional Listings; Cancellation of Listing Authority

Following listing, companies and their registrars are not permitted to issue or countersign any ~~security tokens~~Securities in excess of those authorized for listing, until the Exchange has approved an additional listing application covering the additional ~~security tokens~~Securities as described in Rules 26301-26306. Listing authority for a particular purpose may be cancelled as described in Rule 26350. In addition, where any unlisted company acquires a listed company, the criteria for original listing may be applicable as specified in Rule 26341.

26132. Listing Agreements

In addition to meeting the foregoing criteria, companies applying for listing enter into agreements with the Exchange and become subject to its rules, regulations and policies applicable to listed companies.

Among other things, listed companies are required to:

- (a) Timely Disclosure and Related Notices—Comply with the Exchange's timely disclosure policies and related notice requirements (Rules 26401-26404, 26920-26924);
- (b) Dividends, Splits and Distributions—Comply with the Exchange's regulations governing these transactions (Rules 26304, 26501-26507);
- (c) Accounting, Annual and Quarterly Reports—Furnish ~~security token~~Security holders with annual reports and release quarterly sales and earnings (Rules 26603-26624). (Companies not having common stock or equity ~~security tokens~~Securities listed on the Exchange are required to send annual *and* quarterly reports to ~~security token~~Security holders.);

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(d) Shareholders' Meetings, Approval and Voting—Hold annual shareholders' meetings and submit certain proposed option plans and acquisitions to shareholders for approval (Rules 26701-26713); and

(e) Additional Information—The Exchange may request any additional information or documentation, public or non-public, deemed necessary to make a determination regarding a ~~security token's~~ Security's continued listing, including but not limited to, any material provided to or received from the SEC or other appropriate regulatory authority. A listed company may be delisted if it fails to provide such information within a reasonable period of time or if any communication (including communications made in connection with an initial listing application (See Rule 26211(e)) to the Exchange contains a material misrepresentation or omits material information necessary to make the communication to the Exchange not misleading.

26133. Delisting

Listed companies are subject to the Exchange's delisting rules, policies, and procedures (Rules 27001-27011 and 27201-27211).

26134. Filing Requirements

The Exchange's filing, notice and submission requirements to the Exchange are set forth in Rule 27101.

26135. Uniform Book-Entry Settlement

- (a) Each BSTX Participant shall use the facilities of a securities depository for the book-entry settlement of all transactions in depository eligible securities with another BSTX Participant or a member of a national securities exchange or a registered securities association.
- (b) Each BSTX Participant shall not effect a delivery-versus-payment or receipt-versus-payment transaction in a depository eligible security with a customer unless the transaction is settled by book-entry using the facilities of a securities depository.
- (c) For purposes of this rule, the term "securities depository" shall mean a securities depository registered as a clearing agency under Section 17A of the Securities Exchange Act of 1934.
- (d) The term "depository eligible securities" shall mean securities that (i) are part of an issue (securities identified by a single CUSIP number) of securities that is eligible for deposit at a securities depository and (ii) with respect to a particular transaction, are eligible for book-entry transfer at the depository at the time of settlement of the transaction.
- (e) This rule shall not apply to transactions that are settled outside of the United States.
- (f) The requirements of this rule shall supersede any inconsistent requirements under other Exchange rules.

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- (g) This rule shall not apply to any transaction where the securities to be delivered in settlement of the transaction are not on deposit at a securities depository and:
- (1) if the transaction is for same-day settlement, the deliverer cannot by reasonable efforts deposit the securities in a securities depository prior to the cut-off time established by the depository for same-day crediting of deposited securities, or
 - (2) the deliverer cannot by reasonable efforts deposit the securities in a depository prior to a cut-off date established by the depository for that issue of securities.

26136. Direct Registration System Participation

All securities initially listing on BSTX, except securities which are book-entry only, must be eligible for a Direct Registration Program operated by a clearing agency registered under Section 17A of the Act. A foreign issuer, as defined under Rule 3b-4 under the Act, including a Foreign Private Issuer, shall not be subject to this requirement if it submits to the Exchange a written statement from an independent counsel in such Company's home country certifying that a law or regulation in the home country prohibits compliance.

26137. Depository Eligibility

Before any issue of ~~security tokens~~Securities of an issuer is listed on the Exchange, the Exchange shall have received a representation from the issuer that a CUSIP number identifying the ~~security tokens~~Securities has been included in the file of eligible issues maintained by a securities depository registered as a clearing agency under Section 17A of the Securities Exchange Act of 1934 (“securities depository” or “securities depositories”), except that this Rule shall not apply to a security if the terms of the security do not and cannot be reasonably modified to meet the criteria for depository eligibility at all securities depositories.

26138. BSTX ~~Security Token~~ Protocol

For a ~~security token~~Security to be admitted to dealings on BSTX, such ~~security token~~Security must follow the BSTX ~~Security Token~~ Protocol as distributed by the Exchange via Regulatory Circular available on the Exchange’s website.

26139. Issuer Conversion

The Exchange is aware that an issuer may have a current security traded as a ~~non-security token~~non-Security. As such, if the issuer intends to transition the security to trading on BSTX as a ~~security token~~Security, the Exchange will evaluate trading in the current security to determine whether it satisfies the BSTX Listing Standards. For example, when the Exchange examines the public distribution requirements that require a minimum level of publicly held ~~security tokens~~Securities, the Exchange will instead consider how many shares are currently traded in the issuer's ~~non-security token~~non-Security issue.

26140. Additional Requirements for BSTX-Listed ~~Security Tokens~~Securities Issued by the Exchange or its Affiliates

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(a) For purposes of this Rule 26140, the terms below are defined as follows:

- (1) “Exchange Affiliate” means the Exchange and any entity that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the Exchange, where “control” means that the one entity possesses, directly or indirectly, voting control of the other entity either through ownership of capital stock or other equity securities or through majority representation on the board of directors or other management body of such entity.
- (2) “Affiliate Security” means any security or ~~security token~~ Security issued by an Exchange Affiliate or any Exchange-listed option on any such security.

(b) Upon initial and throughout continued listing of the Affiliate Security on the Exchange, the Exchange shall:

- (1) file a report quarterly with the Commission detailing the Exchange’s monitoring of :
 - i. the Exchange Affiliate's compliance with the BSTX Listing Requirements; and
 - ii. the trading of the Affiliate Security, which shall include summaries of all related surveillance alerts, complaints, regulatory referrals, trades canceled or adjusted, investigations, examinations, formal and informal disciplinary actions, exception reports and trading data of such security.
- (2) engage an independent accounting firm once a year to review and prepare a report on the Affiliate Security to ensure that the Exchange Affiliate is in compliance with the BSTX Listing Requirements and promptly forward to the Commission a copy of the report prepared by the independent accounting firm.

In the event that the Exchange determines that the Exchange Affiliate is not in compliance with any of the BSTX listing requirements, the Exchange shall file a report with the Commission within five business days of providing notice to the Exchange Affiliate of its non-compliance. The report shall identify the date of non-compliance, type of non-compliance and any other material information conveyed to the Exchange Affiliate in the notice of non-compliance. Within five business days of receipt of a plan of compliance from the Exchange Affiliate, the Exchange shall notify the Commission of such receipt, whether the plan of compliance was accepted by the Exchange or what other action was taken with respect to the plan and the time period provided to regain compliance with the BSTX Listing Requirements, if any.

26200 – Original Listing Procedures

26201. Confidential Pre-Application Review of Eligibility

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A company seeking to list its ~~security tokens~~Securities for trading on BSTX must participate in a confidential pre-application eligibility review by the Exchange in order to determine whether it meets the Exchange's listing criteria. Once a company has cleared such review, it may file an original listing application pursuant to Rule 26202 seeking Exchange listing approval of its ~~security tokens~~Securities.

Preliminary discussions with the Exchange on important matters in connection with the confidential pre-application eligibility review may be undertaken by company officials interested in listing with the assurance that careful security measures have been adopted by the Exchange to avoid revealing any confidential information which the company may disclose.

The information needed for the purpose of conducting a confidential pre-application eligibility review is set forth in Rule 26210 through Rule 26222.

26202. Original Listing Steps

There are normally seven steps in the original listing process following successful completion of the confidential pre-application eligibility review described in Rule 26201:

- (a) company files original listing application and supporting papers with Exchange;
- (b) company files Exchange Act registration statement and exhibits with SEC;
- (c) Exchange reserves ticker symbol;
- (d) Exchange approves listing;
- (e) Exchange allocates ~~security token~~Security to a DMM (if applicable);
- (f) SEC Exchange Act registration statement becomes effective; and
- (g) ~~security token~~Security is admitted to dealings.

26203. Reserved**26204. Ticker Symbol**

Applicants may request a particular trading symbol. Although every effort will be made to reserve the symbol requested, there is no assurance that it will be available. Request for a particular symbol should be made as early in the listing process as possible.

26205. Policy Regarding Allocation of ~~Security Tokens~~Securities to DMMs

A company may choose either to be assigned a DMM by the Exchange, or to select its own DMM. Alternatively, a company may elect, or the Exchange may determine, that in lieu of a DMM a minimum of three (3) market makers will be assigned to the ~~security token~~Security upon initial listing and may be reduced in a manner consistent with Rule 26106.

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The Exchange makes every effort to see that each ~~security token~~Security is allocated in the best interests of the company and its shareholders, as well as that of the public and the Exchange. For information regarding the DMM Allocation Procedure, please contact the Exchange.

26206 – 26209. Reserved**26210. Registration under the Exchange Act**

- (a) SEC Forms—A ~~security token~~Security approved for listing by the Exchange must be registered under Section 12(b) of the Securities Exchange Act of 1934 before it may be admitted to trading on BSTX. Exchange Act registration is required even though the applicant may have previously registered all or part of the ~~security tokens~~Securities under the Securities Act. However, a ~~security token~~Security which has already been registered under Section 12(g) of the Exchange Act, or has recently been the subject of a public offering registered under the Securities Act, may normally be registered under Section 12(b) of the Exchange Act for Exchange trading on SEC Form 8-A. In addition, ~~security tokens~~Securities of an issuer which has another class or series of securities registered on another national securities exchange may also use SEC Form 8-A. If an applicant does not have a class of securities registered under Exchange Act Section 12(g) or another class of securities registered on a national securities exchange, SEC Form 10 may be required.

The Exchange will furnish a sample SEC Form 8-A with instructions. Applicants should prepare and file the SEC registration statement and exhibits concurrently with the Exchange listing application and exhibits.

- (b) Effective Date—Registration under Section 12(b) of the Exchange Act cannot become effective until after the issue has been approved for listing by the Exchange. Upon such approval, the Exchange is required to certify to the SEC that it has received its copy of the registration statement and has approved the particular ~~security tokens~~Securities for listing and registration. Registration of a class of ~~security tokens~~Securities on Form 8-A becomes effective automatically upon the later of the filing of the Form 8-A with the SEC, the SEC's receipt of certification from the Exchange, or (if the class of ~~security tokens~~Securities is concurrently being registered under the Securities Act) the effectiveness of the related Securities Act registration statement. Registration other than on Form 8-A becomes effective automatically 30 days after receipt by the SEC of the Exchange's certification, but may become effective within a shorter period, by order of the SEC, on request for acceleration of the effective date made by the company to the SEC.
- (c) Copies—One manually signed copy of the Exchange Act registration statement, including exhibits, must be filed with the listing application.

26211. Original Listing Application – General

- (a) Form—A typewritten listing application (signed by an executive officer of the applicant), together with all appropriate attachments, as outlined below, and one copy only of each

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of the required exhibits, should be filed with the Exchange for examination. If any deficiencies are noted, or any changes are considered necessary in the form or contents of the application and exhibits, the applicant will be notified.

- (b) Incorporation by Reference—A copy of the following documents should be attached to each original listing application submitted and the information contained therein may be incorporated by reference (see Rule 26212):
- (1) latest Form 10-K Annual Report, Form 10-Q Quarterly Report(s) and Form 8-K Current Report(s) for periods subsequent to the latest Form 10-K (or comparable periodic reports filed with the appropriate regulatory agency of the applicant pursuant to the Securities Exchange Act of 1934), and latest proxy statement for annual meeting of shareholders; or
 - (2) a prospectus declared effective by the SEC which contains the latest audited financial statements of the applicant, Form 10-Q Quarterly Report(s) and Form 8-K Current Report(s) (or comparable periodic reports filed with the appropriate regulatory agency of the applicant pursuant to the Securities Exchange Act of 1934), for periods subsequent to the effective date of the prospectus, and latest available proxy statement for meeting of shareholders. In the event a Form 10-Q Quarterly Report (or comparable periodic report) for a quarter ended more than 45 days before the date of the listing application is not required to be filed with the SEC (or other appropriate regulatory agency), financial information comparable to that which would have been included in the Form 10-Q Quarterly Report shall be filed with the Exchange as part of the listing application; and
 - (3) latest annual report distributed to shareholders; and
 - (4) such other information, documents or materials as may be deemed appropriate by the Exchange for inclusion in the applicant’s listing application.
- (c) Listing Fee—A check should accompany the submission. (See the Exchange’s fee schedule for computation of amount.)
- (d) Accounting Review—A company’s financial statements may be submitted to the Exchange’s consulting accountants for review as to compliance with Exchange requirements and generally accepted accounting principles (“GAAP”).
- (e) The Exchange may request any additional information or documentation, public or non-public, deemed necessary to make a determination regarding a ~~security token’s~~[Security’s](#) initial listing eligibility, including, but not limited to, any material provided to or received from the SEC or other appropriate regulatory authority. An issuer may be denied initial listing if it fails to provide such information within a reasonable period of time or if any communication to the Exchange contains a material misrepresentation or omits material information necessary to make a communication to the Exchange not misleading.

26212. Content of Original Listing Application—~~Security Tokens~~[Securities](#)

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Each company must submit an application for original listing, in the form prescribed by the Exchange, together with supporting exhibits specified in Rule 26306 (See sample application in BSTX Listing Supplement).

26213. Exhibits to Be Filed with Original Listing Application—~~Security Tokens~~[Securities](#)

In support of the original listing application, a company must file one copy of the Listing Agreement, executed by an executive officer of the applicant, on a listing form supplied by the Exchange. In addition, the Exchange may request copies of such other documents as are necessary to complete its review of an issuer's eligibility for listing.

26214. Oil and Gas and Mining Companies—Additional Papers to Be Filed

Oil and Gas Companies—In addition to the exhibits required of all applicants, companies which have an interest in oil and gas properties as a material part of their business must submit the following:

Engineer's Reserve Report. Report of recent date, of qualified engineer, including estimate of proven reserves. The report shall be accompanied by a signed statement of the engineer's qualifications. The Exchange recommends and may, in fact, require the submission of the report of a qualified independent engineer not in the regular employ of the company.

Mining Companies—In addition to the exhibits required of all applicants, companies which own or operate mines as a material part of their business must submit the following:

Table of Lands. A tabular list of mineral and other lands (separate lists for producing and non-producing properties), each property designated by number or claim name. If any property is held under lease, specify terms. Submit separate lists for properties held directly and those held through subsidiaries.

Engineer's Mining and Reserve Report. Report, of recent date, of qualified engineer. The report shall be accompanied by a signed statement of the engineer's qualifications. (In certain cases, the Exchange may require the submission of the report of a qualified independent engineer not in the regular employ of the applicant.)

In the case of mines which are developing, the engineer's report must contain:

- (a) recommendations regarding the development program;
- (b) estimate as to amount of additional funds which will be required to complete the development program as outlined; and
- (c) estimate of length of time required to complete such development program.

EXHIBIT 4**26215. Reserved****26216. Reserved****26217. Content of Original Listing Application – Security ~~Token~~ Warrants**

Generally, an original listing application for a ~~security token~~Security warrant issue will follow the format for all other ~~security tokens~~Securities, as set forth in Rules 26211-26212.

26218 - 26229. Reserved**26230. Security ~~Token~~ Architecture Responsibility and Audit**

- (a) Prior to approving a ~~security token~~Security for trading on BSTX, the Exchange will conduct an audit of the ~~security token's~~Security's architecture to ensure compliance with the BSTX Protocol as outlined in Rule 26138. An applicant that is denied pursuant to this section may appeal the decision via the process outlined in the Rule 27200 Series.
- (b) A listed company remains responsible for ensuring that its ~~security token~~Security remains compatible with the BSTX Protocol and accurately reflects the number of shares outstanding. Notice of any modification by a BSTX-listed company to a smart contract corresponding to a ~~security token~~Security (e.g., to increase the total supply) must be provided to the Exchange at least 5 calendar days in advance of implementation of such modification to allow the Exchange to audit the proposed modification. To the extent additional time is needed to appropriately implement the modification, the Exchange may exercise its authority to suspend the ancillary recordkeeping process pursuant to Rule 17020(e).

26300 – Additional Listings**26301. Agreement to List Additional ~~Security Tokens~~Securities**

A listed company is not permitted to issue, or to authorize its transfer agent or registrar to issue or register, additional ~~security tokens~~Securities of a listed class until it has filed an application for the listing of such additional ~~security tokens~~Securities and received notification from the Exchange that the ~~security tokens~~Securities have been approved for listing.

The Exchange's approval is contingent upon the ~~security tokens~~Securities being issued for the purpose, and under the terms and conditions, authorized by the company's Board of Directors and as specified in the listing application. If, after approval of listing by the Exchange, the company desires to make a change in the specified purpose of the issuance, or in the specified terms and conditions of the issuance, the Exchange may require an amendment to the prior application or cancel the previous listing approval and require a further listing application.

Registration of listed ~~security tokens~~Securities with the SEC or removal of transfer restrictions do not constitute changes pursuant to this rule and therefore would not require an amended application.

EXHIBIT 4**26302. Purpose of Agreement**

The Exchange regards the agreement to list additional ~~security tokens~~[Securities](#) as an essential safeguard for shareholders of listed companies.

An additional listing application supplies the Exchange pertinent information concerning the purpose for which the ~~security tokens~~[Securities](#) are being issued, and updates information concerning the applicant.

The Exchange also reviews each additional application to determine if shareholder approval will be required as a condition to approval (see Rules 26711-26713). It is important to note that treasury ~~security tokens~~[Securities](#) may not be reissued, without first obtaining shareholders approval, for any purpose where the rules or policies of the Exchange would require such approval had the ~~security tokens~~[Securities](#) to be issued been previously authorized but unissued.

26303. Steps in the Additional Listing Process

There are normally four steps in the additional listing process. They are:

- (a) company decides to issue additional amounts of a listed ~~security token~~[Security](#) for any purpose whatsoever;
- (b) company submits an additional listing application, in the form prescribed by the Exchange, signed by an officer of the issuer, one to two weeks in advance of the date on which Exchange approval is necessary, together with supporting exhibits specified in Rule 26306 (See sample application in the BSTX Supplemental Listing Materials);
- (c) the Exchange reviews and, if necessary, comments on the additional listing application; and
- (d) the Exchange approves the application.

26304. Listing of ~~Security Tokens~~[Securities](#) Pursuant to a Dividend or Forward Split

~~Security tokens~~[Securities](#) to be issued in a forward split or dividend must be listed prior to the distribution date of such action. A company must complete the Reconciliation Sheet provided in the Exchange's form of application, as of the record date of the scheduled distribution.

26305. Listing of ~~Security Tokens~~[Securities](#) Pursuant to a Reverse Split/Substitution Listing

A substitution listing application is necessary whenever a company engages in a reverse split, re-incorporates, proposes to list a new class of ~~security tokens~~[Securities](#) in substitution for a previously listed class of ~~security tokens~~[Securities](#) or otherwise engages in a transaction which would require it to file a new Form 8-A with the SEC in regard to a previously listed security.

26306. Exhibits to Be Filed with Additional Listing Applications

The following is a list of exhibits to be filed with additional listing applications.

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(1) Contract. A copy of each executed contract, plan or agreement pursuant to which the additional ~~security tokens~~Securities applied for are to be issued.

(2) Financial Statements of Acquired Company. If the ~~security tokens~~Securities to be listed are to be issued in connection with the acquisition of a controlling interest in, or of substantially all of the assets subject to the liabilities of, another company, the most recent audited financial statements, supplemented by the latest interim statements. In cases where independently audited financial statements are not available, a manually signed statement certified by the chief accounting officer of such other company must be submitted.

(3) Engineering Report. If the ~~security tokens~~Securities applied for are to be issued in acquisition of a stock interest in another company, or properties or other assets, furnish one copy of any engineering, geological or appraisal report which may have been obtained in connection with the proposed acquisition.

(4) Listing Agreement. A company must execute a new listing agreement in support of every substitution listing except in the case of a reverse split.

26307 – 26330 Reserved**26331. Time Schedule**

The Exchange considers additional listing applications as promptly as practicable after receipt (normally within 5 to 10 business days). The listing application must be approved by the Exchange prior to issuance of the additional amount, or the effective date of the change or modification, of the previously listed ~~security token~~Security. Accordingly, applications should be filed at least one to two weeks in advance of the date by which the applicant wishes action taken. In the case of a proposed charter amendment under which a previously listed ~~security token~~Security is to be changed into a new ~~security token~~Security (“substitution listing”), the time schedule should be so arranged that the substitution of the new ~~security token~~Security for the old ~~security token~~Security may be effected without any interruption in trading.

When it is essential that the ~~security tokens~~Securities be fully qualified for admission to trading by a certain date, the Exchange should be consulted at the earliest possible moment in order that a satisfactory time schedule may be arranged. This is particularly important in the case of rights or exchange offerings.

26332. Fees for Listing Additional ~~Security Tokens~~Securities

Upon receipt of the listing application in relation to any application for the listing of additional ~~security tokens~~Securities, the Exchange will send the listed company an invoice for the applicable listing fees (see the Exchange’s fee schedule for computation of amount). The listed company is required to promptly submit the applicable fee in the manner specified by the Exchange’s invoice.

EXHIBIT 4**26333. Registration with the Securities and Exchange Commission**

- (a) Securities Act of 1933—If required under the Securities Act, registration must be effective prior to the admission of the ~~security token~~Security to dealings on the Exchange. If such registration covers additional ~~security tokens~~Securities or amounts of a previously listed ~~security token~~Security, the listing application should be filed with the Exchange while the Securities Act registration is pending, so that the additional amount may be authorized for listing in advance of, and subject to, the effectiveness of such registration.
- (b) Securities Exchange Act of 1934—No application for registration under the Exchange Act on Form 8-A, or otherwise, is required to be filed with the SEC for additional-~~security tokens~~Securities or amounts of a previously listed and registered security. If the application covers a substitution listing, a registration statement (usually on Form 8-B) must be filed with the SEC and the Exchange.

26334 – 26339. Reserved**26340. Subscription Rights**

A listed company must promptly disclose any action taken by it with respect to the allotment of rights to subscribe or rights or benefits pertaining to the ownership of its ~~security tokens~~Securities. It is further required to give prompt notice of any such action to the Exchange to afford the holders of such ~~security tokens~~Securities a proper period within which to record their interests and exercise their rights. These requirements are further explained in paragraphs (a) through (h) below.

The Exchange will not admit subscription rights to dealings unless the underlying ~~security token~~Security is or will be listed on BSTX.

- (a) Steps—Following is the sequence of steps to be taken in connection with the admission of subscription rights to dealings:
- (1) submit timetable including:
 - i. date of filing with SEC of registration statement under Securities Act;
 - ii. date on which listing application will be filed with the Exchange;
 - iii. effective date of registration statement or offering circular;
 - iv. record date of ~~security token~~Security holders entitled to receive subscription rights;
 - v. mailing date of subscription rights to ~~security token~~Security holders, and name of bank which will mail rights; and
 - vi. expiration date of subscription offering, and name of bank which will act as subscription agent.

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- (2) send two copies of preliminary prospectus or offering circular, and printer's proof copy of subscription rights to the Exchange;
 - (3) submit listing application covering listing of additional ~~security tokens~~Securities issuable upon exercise of subscription rights;
 - (4) notify Exchange as soon as Securities Act registration statement becomes effective.
- (b) Establishment of Record, Mailing, and Expiration Dates—The record date should be no earlier than one day prior to the time the registration statement or offering circular becomes effective.

The mailing of the subscription rights to ~~security token~~Security holders should occur as soon after the record date as possible. Most companies have their transfer agents mail the rights on the same date as the record date or, at the latest, on the business day following the record date.

The subscription period should be for at least 14 calendar days following the mailing date. (See Rules 26511-26522 for further explanation of “ex-rights” rule.)

- (c) Form of Subscription Rights and Issuance of ~~security tokens~~Securities—The subscription rights should specify the number of rights represented by the warrant certificate rather than the number of ~~security tokens~~Securities to which the holder is entitled to subscribe. This eliminates the use of two separate types of warrants—one for full ~~security tokens~~Securities and the other for fractional ~~security tokens~~Securities.

Provision should be made for the issuance of certificates for ~~security tokens~~Securities subscribed for promptly upon exercise of the subscription privilege, and the subscription rights should contain a statement to that effect. Where, in addition to the usual subscription privilege, there is available an over-subscription privilege (subject to allotment) the issuance of the additional ~~security tokens~~Securities against exercise of the over-subscription privilege can be made promptly after the expiration date of the offering.

- (d) Dividend Declaration—No dividend should be declared having a record date during the subscription period. Otherwise, complications will develop in dealings in the rights. The record date for any dividend which otherwise would be a date during the subscription period should be either (i) the same date as the date of record of shareholders entitled to receive the subscription rights or a date prior to such subscription offering record date, or (ii) a date no earlier than the tenth day following the expiration date of the subscription offering. The record date specified in (i) would be established if the company does not wish to pay the current dividend on the ~~security tokens~~Securities offered for subscription. The record date specified in (ii) would be established if the company wishes to pay the dividend on the ~~security tokens~~Securities offered for subscription as well as on the

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~~security tokens~~Securities previously outstanding.

- (e) Dealings in Rights—No application is required to be filed with the Exchange for the listing of subscription rights or with the SEC for their registration under the Exchange Act. Under SEC Rule 12a-4, subscription rights are exempt from registration under the Exchange Act.

Transferable rights may be admitted to dealings on the Exchange as soon as notice is received that the company's Securities Act registration statement or offering circular has become effective. The normal procedure is to admit the rights to dealings at 10:00 a.m. on the day following the day the registration statement or offering circular has become effective. Accordingly, the company should arrange to have the registration statement or offering circular declared effective as of 4:00 p.m. on the date preceding the anticipated trading date. The company or its attorneys should notify the Exchange by telephone as soon as they learn of SEC clearance.

Trading in rights on the Exchange will cease at the close of business on the business day preceding the expiration date thereof. This facilitates open contracts to be settled and rights to be exercised on the final day.

- (f) Ex-Rights Date—As specified at Rule 26513(a), in general, ~~security tokens~~Securities are quoted “ex-rights” the day following the date on which the rights are admitted to dealings. This arrangement allows one full day's trading to take place in the rights to establish their market value for “ex-rights” purposes. Purchasers of the ~~security-token~~Security beginning the fourth business day preceding the record date for and to and including the day before the “ex-rights” date for the ~~security-token~~Security have been paying prices for their ~~security-token~~Security which include the value of the rights. Since it may not be possible for such purchasers to become holders of record on the books of the company by the record date for the offering, the Exchange rules that the purchasers in such transactions (having paid a “rights on” price for their ~~security-token~~Security, i.e., a price including the value of the rights) are entitled to the rights and are, therefore, entitled to receive a due bill for the rights from the sellers of the ~~security-token~~Security. Such due bills are redeemed by the sellers when they receive their rights from the company. This arrangement is between the brokers for the purchasers and the sellers of the ~~security-tokens~~Securities, and does not involve the company. For a further explanation, see the Rule 26500 Series.
- (g) Application for Listing Additional ~~security tokens~~Securities Issuable Against Exercise of Subscription Rights—A company is required to file with the Exchange an application for the listing of the additional ~~security tokens~~Securities issuable upon exercise of the rights. The Securities Act prospectus or offering circular relating to the subscription offering may be incorporated by reference. The listing application (see Rule 26303) should be filed with the Exchange as soon as possible after the company has filed its registration statement or offering circular with the SEC. The Exchange must have time to act on the application sufficiently prior to the date of the offering, so that appropriate listing authority will be in effect with respect to the ~~security tokens~~Securities issuable when and

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as subscription rights are exercised.

- (h) Oversubscription Privilege—Where a subscription offering to ~~security tokens~~Securities contains an oversubscription privilege, the number of ~~security tokens~~Securities allocated to ~~security token~~Security holders upon exercise of the oversubscription privilege should be in proportion to the number of ~~security tokens~~Securities subscribed for by each ~~security token~~Security holder on the original subscription offering, and should not be based on the number requested under the oversubscription privilege.

26341. Acquisition of a Listed Issuer by an Unlisted Entity

If a listed issuer engages in a Reverse Merger (as defined below), it will be eligible for continued listing on BSTX only if the post-transaction entity meets the standards for initial listing. The Exchange will refuse to list additional ~~security tokens~~Securities of a listed issuer in connection with a Reverse Merger unless the post-transaction entity meets the standards for initial listing and the listed issuer obtains shareholder approval of the issuance of such ~~security tokens~~Securities as required by Rule 26713(b). The applicable fees for additional listings and Reverse Mergers can be found in the Exchange’s fee schedule.

The Exchange should be consulted whenever a listed issuer is contemplating a transaction or series of transactions that could constitute a Reverse Merger. If the Exchange determines that a transaction or series of transactions constitute a Reverse Merger, the listed issuer must submit an initial listing application for the post-transaction entity with sufficient time to allow the Exchange to complete its review before the effective date of the Reverse Merger. If the initial listing application has not been approved prior to the effective date of the Reverse Merger, the Exchange will issue an Exchange Determination Letter as set forth in Rule 27202 and begin delisting proceedings pursuant to the Rule 27200 Series.

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For the purposes of this provision, a “Reverse Merger” is a transaction or series of transactions whereby a listed issuer combines with, or into, an entity not listed on BSTX, resulting in a change of control of the listed issuer and potentially allowing such unlisted entity to obtain a BSTX listing. In determining whether a change of control constitutes a Reverse Merger, the Exchange will consider all relevant factors, including, but not limited to, changes in the management, board of directors, voting power, ownership, and financial structure of the listed issuer. The Exchange will also consider the nature of the businesses and the relative size of both the listed issuer and the unlisted entity.

26342. Paired ~~Security Tokens~~Securities

Companies whose ~~security tokens~~Securities are “paired” may file a single additional listing application covering the ~~security tokens~~Securities to be issued by both companies. (See the Exchange fee schedule for computation of the fee.)

26343 – 26349. Reserved**26350. Cancellation Notice**

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A company which has received authority to list ~~security tokens~~[Securities](#), upon official notice of issuance, for a particular purpose, and which no longer intends to issue all or a portion of such ~~security tokens~~[Securities](#) for that purpose, should cancel the listing authority by notifying the Exchange by letter (see sample letter in the BSTX Listing Supplement). The letter should specify the amount of ~~security tokens~~[Securities](#) to be cancelled and the reason for such request. An example of such cancellation letter can be found in the BSTX Listing Supplement on the Exchange's website.

26400 – Disclosure Policies**26401. Outline of Exchange Disclosure Policies**

The Exchange considers that the conduct of a fair and orderly market requires every listed company to make available to the public information necessary for informed investing and to take reasonable steps to ensure that all who invest in its ~~security tokens~~[Securities](#) enjoy equal access to such information. In applying this fundamental principle, the Exchange has adopted the following eight specific policies concerning disclosure, each of which is more fully discussed (in a Question and Answer format) in the BSTX Supplemental Listing Information:

- (a) Immediate Public Disclosure of Material Information—A listed company is required to make immediate public disclosure of all material information concerning its affairs, except in unusual circumstances (referred to as the Exchange's "immediate release policy"). When such disclosure is to be made between 7:00 A.M. and 4:00 P.M., Eastern Time, it is essential that the Exchange be notified at least ten minutes prior to the announcement.
- (b) Thorough Public Dissemination—A listed company is required to release material information to the public by means of any Regulation FD compliant method (or combination of methods).
- (c) Clarification or Confirmation of Rumors and Reports—Whenever a listed company becomes aware of a rumor or report, true or false, that contains information that is likely to have, or has had, an effect on the trading in its ~~security tokens~~[Securities](#), or would be likely to have a bearing on investment decisions, the company is required to publicly clarify the rumor or report as promptly as possible.
- (d) Response to Unusual Market Action—Whenever unusual market action takes place in a listed company's ~~security tokens~~[Securities](#), the company is expected to make inquiry to determine whether rumors or other conditions requiring corrective action exist, and, if so, to take whatever action is appropriate. If, after this review, the unusual market action remains unexplained, it may be appropriate for the company to issue a "no news" release—i.e., announce that there has been no material development in its business and affairs not previously disclosed or, to its knowledge, any other reason to account for the unusual market action.
- (e) Unwarranted Promotional Disclosure—A listed company should refrain from promotional disclosure activity which exceeds that necessary to enable the public to

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make informed investment decisions. Such activity includes inappropriately worded news releases, public announcements not justified by actual developments in a company's affairs, exaggerated reports or predictions, flamboyant wording and other forms of overstated or over-zealous disclosure activity which may mislead investors and cause unwarranted price movements and activity in a company's ~~security tokens~~Securities.

- (f) Insider Trading—Insiders should not trade on the basis of material information which is not known to the investing public. Moreover, insiders should refrain from trading, even after material information has been released to the press and other media, for a period sufficient to permit thorough public dissemination and evaluation of the information.
- (g) Receipt of Written Delisting Notice—A company is required to publicly disclose that it has received a written notice indicating that the Exchange has determined to remove the company's ~~security tokens~~Securities from listing (or unlisted trading) as a result of non-compliance with the continued listing requirements. (See Rule 27009)
- (h) Receipt of Audit Opinion with Going Concern Qualification - A company is required to publicly disclose that it has received an audit opinion that contains a going concern qualification. (See Rule 26610(b))
- (i) Reserved
- (j) Receipt of Written Notice of Noncompliance with a Continued Listing Requirement—A company is required to publicly disclose that it has received a written notice indicating that the Exchange has determined that the company is noncompliant and/or has failed to satisfy one or more continued listing requirements. (See IM-26402-02 to Rule 26402 and Rule 27009).

IM-26401-1

Listed companies must comply with the notification procedures in Rule 26401(a) and (b) with respect to all announcements relating to a dividend, stock distribution, or ~~security token~~Security distribution when such disclosure is to be made between 7:00 A.M. and 4:00 P.M., Eastern Time. (Listed companies must also comply with the notification requirements of Rule 26501 with respect to all such announcements, including outside of the hours of operation of the immediate release policy.)

26402. Explanation of Exchange Disclosure Policies**(a) Immediate Public Disclosure of Material Information**

Q. What standard should be employed to determine whether disclosure should be made?

A. Immediate disclosure should be made of information about a company's affairs or about events or conditions in the market for its ~~security tokens~~Securities when either of the following standards are met:

- (i) where the information is likely to have a significant effect on the price of any of the company's ~~security tokens~~Securities; or

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(ii) where such information (including, in certain cases, any necessary interpretation by securities analysts or other experts) is likely to be considered important by a reasonable investor in determining a choice of action.

Q. What kinds of information about a company's affairs should be disclosed?

A. Any material information of a factual nature that bears on the value of a company's ~~security-tokens~~Securities or on decisions as to whether or not to invest or trade in such ~~security-tokens~~Securities should be disclosed. Included is information known to the company concerning:

(i) its property, business, financial condition and prospects;

(ii) mergers and acquisitions;

(iii) dealings with employees, suppliers, customers and others; and

(iv) information concerning a significant change in ownership of the company's ~~security-tokens~~Securities by insiders, principal shareholders, or control persons.

In those instances where a company deems it appropriate to disclose internal estimates or projections of its earnings or of other data relating to its affairs, such estimates or projections should be prepared carefully, with a reasonable factual basis, and should be stated realistically, with appropriate qualifications. Moreover, if such estimates or projections subsequently appear to have been mistaken, they should be promptly and publicly corrected.

Q. What kinds of events and conditions in the market for a company's ~~security-tokens~~Securities may require disclosure?

A. The price of a company's ~~security-tokens~~Securities (as well as a reasonable investor's decision whether to buy or sell those ~~security-tokens~~Securities) may be affected as much by factors directly concerning the market for the ~~security-tokens~~Securities as by factors concerning the company's business. Factors directly concerning the market for a company's ~~security-tokens~~Securities may include such matters as the acquisition or disposition by a company of a significant amount of its own ~~security-tokens~~Securities, an event affecting the present or potential dilution of the rights or interests of a company's ~~security-tokens~~Securities, or events materially affecting the size of the "public float" of its ~~security-tokens~~Securities.

While, as noted above, a company is expected to make appropriate disclosure about significant changes in insider ownership of its ~~security-tokens~~Securities, the company should not indiscriminately disclose publicly any knowledge it has of the trading activities of outsiders, such as trading by mutual funds or other institutions, for such outsiders normally have a legitimate interest in preserving the confidentiality of their ~~security-token~~Security transactions.

Q. What are some specific examples of a company's affairs or market conditions typically requiring disclosure?

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A. The following events, while not comprising a complete list of all the situations which may require disclosure, are particularly likely to require prompt announcements:

- a joint venture, merger or acquisition;
- the declaration or omission of dividends or the determination of earnings;
- a stock split or stock dividend;
- the acquisition or loss of a significant contract;
- a significant new product or discovery;
- a change in control or a significant change in management;
- a call of ~~security tokens~~Securities for redemption;
- the borrowing of a significant amount of funds;
- the public or private sale of a significant amount of additional ~~security tokens~~Securities;
- significant litigation;
- the purchase or sale of a significant asset;
- a significant change in capital investment plans;
- a significant labor dispute or disputes with subcontractors or suppliers;
- an event requiring the filing of a current report under the Securities Exchange Act;
- establishment of a program to make purchases of the company's own shares;
- a tender offer for another company's securities;
- an event of technical default or default on interest and/or principal payments;
- board changes and vacancies; and
- receipt of an audit opinion that contains a going concern qualification (see also Section 610(b)).

Q. When may a company properly withhold material information?

A. Occasionally, circumstances such as those discussed below may arise in which— provided that complete confidentiality is maintained—a company may temporarily refrain from publicly disclosing material information. These situations, however, are limited and constitute an

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infrequent exception to the normal requirement of immediate public disclosure. Thus, in cases of doubt, the presumption must always be in favor of disclosure.

(i) When immediate disclosure would prejudice the ability of the company to pursue its corporate objectives.

Although public disclosure is generally necessary to protect the interests of investors, circumstances may occasionally arise where disclosure would prejudice a company's ability to achieve a valid corporate objective. Public disclosure of a plan to acquire certain real estate, for example, could result in an increase in the company's cost of the desired acquisition or could prevent the company from carrying out the plan at all. In such circumstances, if the unfavorable result to the company outweighs the undesirable consequences of non-disclosure, an announcement may properly be deferred to a more appropriate time.

(ii) When the facts are in a state of flux and a more appropriate moment for disclosure is imminent.

Occasionally, corporate developments give rise to information which, although material, is subject to rapid change. If the situation is about to stabilize or resolve itself in the near future, it may be proper to withhold public disclosure until a firm announcement can be made, since successive public statements concerning the same subject (but based on changing facts) may confuse or mislead the public rather than enlighten it.

For example, in the course of a successful negotiation for the acquisition of another company, the only information known to each party at the outset may be the willingness of the other to hold discussions. Shortly thereafter, it may become apparent to the parties that it is likely an agreement can be reached. Finally, agreement in principle may be reached on specific terms. In such circumstances (and assuming the maintenance of strict confidentiality), a company need not issue a public announcement at each stage of the negotiations, describing the current state of constantly changing facts, but may await agreement in principle on specific terms. If, on the other hand, progress in the negotiations should stabilize at some other point, disclosure should then be made if the information is material.

Whenever material information is being temporarily withheld, the strictest confidentiality must be maintained, and the company should be prepared to make an immediate public announcement, if necessary. During this period, the market activity of the company's ~~security tokens~~ Securities should be closely watched, since unusual market activity frequently signifies that a "leak" may have occurred. This is one reason why it is important to keep the Exchange fully apprised of material corporate developments.

NOTE: Federal securities laws may restrict the extent of permissible disclosure before or during a public offering of securities or a solicitation of proxies. In such circumstances (as more fully discussed below), a company should discuss the disclosure of material information in advance with the Exchange and the Securities and Exchange Commission. It is the Exchange's experience

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that the requirements of both the securities laws and regulations and the Exchange's disclosure policy can be met even in those instances where their thrust appears to be different.

Q. What action is required if rumors occur while material information is being temporarily withheld?

A. If rumors concerning such information should develop, immediate public disclosure becomes necessary. (See also "Clarification or Confirmation of Rumors and Reports", Rule 26402(c).)

Q. What action is required if insider trading occurs while material information is being temporarily withheld?

A. Immediate public disclosure of the information in question must be effected if the company should learn that insider trading, as defined in Rule 26402(f) has taken or is taking place. In unusual cases, where the trading is insignificant and does not have any influence on the market, and where measures sufficient to halt insider trading and prevent its recurrence are taken, exemptions might be made following discussions with the Exchange. The Exchange can provide current information regarding market activity in the company's ~~security tokens~~[Securities](#) and help assess the significance of such trading.

Q. How can confidentiality best be maintained?

A. Information that is to be kept confidential should be confined, to the extent possible, to the highest possible echelons of management and should be disclosed to officers, employees and others on a "need to know" basis only. Distribution of paperwork and other data should be held to a minimum. When the information must be disclosed more broadly to company personnel or others, their attention should be drawn to its confidential nature and to the restrictions that apply to its use, including the prohibition on insider trading. It may be appropriate to require each person who gains access to the information to report any transaction which he effects in the company's ~~security tokens~~[Securities](#) to the company. If counsel, accountants, financial or public relations advisers or other outsiders are consulted, steps should be taken to ensure that they maintain similar precautions within their respective organizations to maintain confidentiality.

In general, it is recommended that a listed company remind its employees on a regular basis of its policies on confidentiality.

(b) Thorough Public Dissemination

Q. What specific disclosure techniques should a company employ?

A. The steps required are as follows:

(i) Prior to Public Disclosure. The Exchange expects a company to call the Exchange at least ten minutes in advance of public disclosure of information which is non-routine or is expected to have an impact on the market for its ~~security tokens~~[Securities](#) and such disclosure is to be made between 7:00 A.M. and 4:00 P.M., Eastern Time. The purpose of this communication is to inform the Exchange of the substance of the announcement and the Regulation FD-compliant

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method by which the company intends to comply with the immediate release policy and to provide the Exchange with the information necessary to locate the news upon publication. When the announcement is in written form, the company must also provide the text of such announcement to the Exchange at least ten minutes prior to release of the announcement via e-mail or web-based system as specified on the Exchange's website, except in emergency situations, when notification may instead be provided by telephone and confirmed by facsimile as specified by the Exchange on its website (and the Exchange shall promptly update and prominently display the applicable information on its website in the event that it ever changes). For purposes of this Rule 26402(b)(i), an emergency situation includes lack of computer or internet access; a technical problem on the systems of either the listed company or the Exchange; or an incompatibility between the systems of the listed company and the Exchange. The Exchange, with the benefit of all the facts provided by the company, will be able to consider whether a temporary halt in trading, pending an announcement, would be desirable. A temporary halt in trading is not a reflection on the company or its ~~security tokens~~ Securities, but provides an opportunity for disseminating and evaluating the information released. Such a step frequently helps avoid rumors and market instability, as well as the unfairness to investors that may arise when material information has reached part, but not yet all, of the investing community. Thus, in appropriate circumstances, the Exchange can often provide a valuable service to investors and listed companies by arranging for such a halt.

* During the period prior to the opening of trading on the Exchange, the Exchange will institute a trading halt for dissemination of material news only at the request of the issuer. Notwithstanding the foregoing, however, if it appears that the dissemination of material news will not be complete prior to the opening of trading on the Exchange, the Exchange may temporarily halt trading in order to facilitate an orderly opening process. See IM-26402-2 for additional information about Exchange policies in relation to news-related trading halts.

(ii) At Time of Public Disclosure. Any public disclosure of material information should be made by means of any Regulation FD compliant method (or combination of methods). While not requiring them to do so, the Exchange encourages listed companies to comply with the immediate release policy by issuing press releases. To ensure adequate coverage, where a listed company is satisfying the Exchange's immediate release policy by issuing a press release, that press release should be given to Dow Jones & Company, Inc., Reuters Economic Services and Bloomberg Business News. While foreign private issuers are not required to comply with Regulation FD, foreign private issuers must comply with the Exchange's immediate public disclosure policy and may do so by any method (or combination of methods) that would constitute compliance with Regulation FD for a domestic U.S. issuer.

Companies may also wish to broaden their distribution to other news or broadcast media, such as those in the location of the company's plants or offices, and to trade publications. The information in question should always be given to the media in such a way as to promote publication by them as promptly as possible, i.e., by telephone, telecopy, or in writing (by hand delivery), on an "immediate release" basis. Companies are cautioned that some of these media may refuse to publish information given by telephone until it has been confirmed in writing or may require written confirmation after its publication.

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Whenever difficulty is encountered or anticipated in having an announcement about a material development published, a company should contact the Exchange, which may be able to provide assistance. Finally, if despite all reasonable efforts, the announcement has not been published by one of the national news-wire services or one of the above-mentioned media, the company should attempt to have the announcement disseminated through other media, such as trade, industry or business publications, or local newspapers (especially those in the area where the company's principal offices or plants are located or where its stockholders are concentrated). In cases where the announcement is of particular importance, or where unusual difficulty in dissemination is encountered, the company should consider the use of paid advertisements, a letter to stockholders, or both.

Companies may also disseminate information on their website, as well as via social media, provided however that a company disseminating information on its website or via social media must comply with the SEC's guidelines applicable to Regulation FD communication via websites and social media.

Q. How does the policy on thorough public dissemination apply to meetings with securities analysts, journalists, stockholders and others?

A. The Exchange recommends that companies observe an "open door" policy in dealing with analysts, journalists, stockholders and others. However, under no circumstances should disclosure of material corporate developments be made on an individual or selective basis to analysts, stockholders or other persons unless such information has previously been fully disclosed and disseminated to the public. In the event that material information is inadvertently disclosed on the occasion of any meetings with analysts or others, it must be publicly disseminated as promptly as possible by the means described above.

The Exchange also believes that even any appearance of preference or partiality in the release or explanation of information should be avoided. Thus, at meetings with analysts or other special groups, where the procedure of the group sponsoring the meeting permits, representatives of the news-wire services, the press, and other media should be permitted to attend.

(c) Clarification or Confirmation of Rumors and Reports

Q. What "rumors and reports" must be clarified or confirmed?

A. The public circulation by any means, whether by an article published in a newspaper, by a broker's market letter, or by word-of-mouth, of information, either correct or false, which has not been substantiated by the company and which is likely to have, or has had, an effect on the price of the company's ~~security tokens~~Securities or would be likely to have a bearing on investment decisions, must be clarified or confirmed.

If a false rumor or report is circulated among only a small number of persons and has not affected, and is not likely to affect, the market for the company's ~~security tokens~~Securities, public circulation would not be deemed to have taken place and clarification would not be necessary. However, as pointed out in Rule 26402(a), if the rumor or report concerns material

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information which is correct and has not been disclosed by the company and thoroughly disseminated, clarification and confirmation is necessary regardless of the extent of the public circulation of the rumor or report.

Q. What response should be made to rumors or reports?

A. In the case of a material rumor or report containing erroneous information which has been circulated, the company should prepare an announcement denying the rumor or report and setting forth facts sufficient to clarify any misleading aspects of the rumor. In the case of a material rumor or report containing information that is correct, an announcement setting forth the facts should be prepared for public release. In both cases, the announcement should then be publicly disseminated in accordance with the guidelines discussed above. In addition, in the case of a false report, a reasonable effort should be made to bring the announcement to the attention of the particular group that initially distributed it. In the case of an erroneous newspaper article, for example, by sending a copy of the announcement to the newspaper's financial editor, or in the case of an erroneous market letter by sending a copy to the broker responsible for the letter.

In the case of a report predicting future sales, earnings or other data, no response from the company is ordinarily required. However, if such a report is based on erroneous information, or is wrongly attributed to a company source, the company should respond promptly to the supposedly factual elements of the report. Moreover, if a report contains a prediction that is clearly erroneous, the company should issue an announcement to the effect that the company itself has made no such prediction and currently knows of no facts that would justify making such prediction.

(d) Response to Unusual Market Activity

Q. What is the significance of unusual market activity from the standpoint of disclosure?

A. Where unusual market activity (in price movement, trading activity, or both) occurs without any apparent publicly available information which would account for the activity, it may signify trading by persons who are acting either on unannounced material information or on a rumor or report, whether true or false, about the company. Most often, of course, unusual market activity may not be traceable either to insider trading or to a rumor or report. Nevertheless, the market activity itself may be misleading to investors, who are likely to assume that a sudden and appreciable change in the price of a company's stock must reflect a parallel change in its business or prospects. Similarly, unusual trading volume, even when not accompanied by a significant change in price, tends to encourage rumors and give rise to speculative trading activity which may be unrelated to actual developments in the company's affairs.

Generally, unusual market activity will first be detected by either the Designated Market Maker in the company's ~~security tokens~~[Securities](#) or by the Exchange, which in turn, will contact company officials to apprise them of the activity. Where unusual activity or rumors may occur, the Exchange may contact the company to inquire about any company developments that have not been publicly announced, but that could be responsible for the activity. Where the market

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appears to reflect undisclosed information, the Exchange will normally ask the company to make the information public immediately.

Q. What response is required of a company when unusual market action in its ~~security tokens~~Securities takes place?

A. First, the company should attempt to determine the reason for the market action, by considering in particular: (i) whether any information about its affairs which would account for the action has recently been publicly disclosed; (ii) whether there is any information of this type that has not been publicly disclosed (in which case the unusual market action may signify that a "leak" has occurred); and (iii) whether the company is the subject of a rumor or report.

If the company determines that the market action results from material information that has already been publicly disseminated, generally no further announcement is required. If, however, the market action indicates that such information may have been misinterpreted, it may be helpful, after discussion with the Exchange, to issue a clarifying announcement.

If the market action results from the "leak" of previously undisclosed information, the information in question must be promptly disseminated to the public. If the market action results from a false rumor or report, the Exchange policy on correction of such rumors and reports (discussed in Rule 26402(c)) should be complied with. Finally, if the company is unable to determine the cause of the market action, the Exchange may suggest that the company issue a "no news" release, i.e., a public announcement to the effect that there have been no undisclosed recent developments affecting the company or its affairs which would account for the unusual market activity.

(e) Unwarranted Promotional Disclosure

Q. What is "unwarranted promotional disclosure" activity?

A. Disclosure activity beyond that necessary to inform investors and explicable essentially as an attempt to influence ~~security token~~Security prices is considered to be unwarranted and promotional. Although the distinction between legitimate public relations activities and such promotional activity is one that must necessarily be drawn from the facts of a particular case, the following are frequently indicators of promotional activity:

(i) a series of public announcements unrelated in volume or frequency to the materiality of actual developments in a company's business and affairs;

(ii) premature announcement of products still in the development stage with unproven commercial prospects;

(iii) promotions and expense-paid trips, or the seeking out of meetings or interviews with analysts and financial writers, which could have the effect of unduly influencing the market activity in the company's ~~security tokens~~Securities and are not justified in frequency or scope by

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the need to disseminate information about actual developments in the company's business and affairs;

(iv) press releases or other public announcements of a one-sided or unbalanced nature; or

(v) company or product advertisements which, in effect, promote the company's ~~security tokens~~Securities.

(f) Insider Trading

Q. Who are "insiders"?

A. All persons who come into possession of material inside information, before its public release, are considered insiders for purposes of the Exchange's disclosure policies. Such persons include control stockholders, directors, officers and employees, and frequently also include outside attorneys, accountants, investment bankers, public relations advisors, advertising agencies, consultants, and other independent contractors. The husbands, wives, immediate families and those under the control of insiders may also be regarded as insiders. Where acquisition or other negotiations are concerned, the above relationships apply to the other parties to the negotiations as well. Finally, for purposes of the Exchange's disclosure policy, the term insiders also includes "tippees" who come into possession of material inside information.

The company itself is also an insider and, while in possession of material inside information, is prohibited from buying its ~~security tokens~~Securities from, or selling such ~~security tokens~~Securities to, the public in the same manner as other insiders.

Q. What is "inside information"?

A. For purposes of these guidelines, "inside information" is any information or development which may have a material effect on the company or on the market for its ~~security tokens~~Securities and which has not been publicly disclosed.

Q. What is "insider trading"?

A. "Insider trading" refers not only to the purchase or sale of a company's ~~security tokens~~Securities, but also to the purchase or sale of puts, calls, or other options with respect to such ~~security tokens~~Securities. Such trading is deemed to be done by an insider whenever he has any beneficial interest, direct or indirect, in such ~~security tokens~~Securities, regardless of whether they are actually held in his name.

Included in the concept of "insider trading" is "tipping", or revealing inside information to outside individuals to enable such individuals to trade in the company's ~~security tokens~~Securities on the basis of undisclosed information.

Q. How soon after the release of material information may insiders begin to trade?

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A. This depends both on how thoroughly and how quickly after its release the information is published by the news-wire services and the press. In addition, following dissemination of the information, insiders should refrain from trading until the public has had an opportunity to evaluate it thoroughly. Where the effect of the information on investment decisions is readily understandable, as in the case of earnings, the required waiting period will be shorter than where the information must be interpreted before its bearing on investment decisions can be evaluated. While the waiting period is dependent on the circumstances, the Exchange recommends that, as a basic policy, when dissemination is made in accordance with Exchange policy (see Rule 26402(b)—26402(d)), insiders should wait for at least 24 hours after the general publication of the release in a national medium. Where publication is not so widespread, a minimum waiting period of 48 hours is recommended. Where publication does not occur, or if it should otherwise appear appropriate, it may be desirable to obtain an opinion of counsel before insiders trade.

Q. What steps can companies take to prevent improper insider trading?

A. Companies can establish, publish and enforce effective procedures applicable to the purchase and sale of its ~~security tokens~~Securities by officers, directors, employees and other "insiders" designed not only to prevent improper trading, but also to avoid any question of the propriety of insider purchases or sales. One such procedure might require corporate insiders to restrict their purchases and sales of the company's ~~security tokens~~Securities to periods following the release of annual statements or other releases setting forth the financial condition and status of the company. Another could involve the purchase of a company's ~~security tokens~~Securities on a regular periodic basis by an agent over which neither the company nor the individual has any control.

In the exceptional cases in which Exchange policy permits companies to withhold material information temporarily, extreme caution must be exercised to maintain the confidentiality of the information withheld, since the danger of insider trading generally increases proportionately to the number of persons privy to the information. Recommended procedures for maintaining confidentiality are discussed in Rule 26402(a).

(g) Receipt of Written Notice of Noncompliance with a Continued Listing Requirement or Written Delisting Notice

Q. What kinds of information should be included in the public announcement?

A. The public announcement must indicate that the Exchange has determined that the company does not meet a listing standard, or has determined to remove the company's ~~security token~~Security listing (or unlisted trading), as applicable, and must include the specific policies and standards upon which the determination is based. In order to assist the company in the preparation of the public announcement, Exchange staff will provide the company with the Rule(s) upon which its determination was based and a template for disclosure.

Q. When must the public announcement be made?

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A. The public announcement must be made as promptly as possible, but no more than four business days following the company's receipt of the written notice from the Exchange. The Exchange notes that companies should not construe the four business day time frame as a safe harbor for disclosure.

Q. What action may the Exchange take if a company fails to make a public announcement indicating that the Exchange has determined that the company is noncompliant and/or has failed to satisfy one or more continued listing standards, or has determined to remove the company's-~~security tokens~~Securities from listing (or unlisted trading)?

A. Failure by a company to make the required public announcement will result in the institution of a trading halt in the company's ~~security tokens~~Securities until the announcement is made, even if the company appeals the determination as provided for under Rules 27009 and 27010. If the company fails to make the announcement prior to the time that the Exchange issues its decision, the Exchange may decide to delist the company's ~~security tokens~~Securities for failure to make the public announcement.

Q. Does Rule 27009(j) or 27010(b) relieve the company of its disclosure obligations under the federal securities laws?

A. No. Neither Rule 27009(j) nor 27010(b) relieves the company of its disclosure obligations under the federal securities laws, nor should Rule 27009(j) or 27010(b) be construed as providing a safe harbor under the federal securities laws. The Exchange suggests that the company consult with corporate/securities counsel in assessing its disclosure obligations under the federal securities laws.

IM-26402-1

A written notice of noncompliance with a continued listing requirement may be in the form of either a Warning Letter (as defined in Rule 27009(a)(i)) or Deficiency Letter (as defined in Rule 21009(b)).

IM-26402-2

When the Exchange believes it is necessary to request from an issuer information relating to:

- (i) material news;
- (ii) the issuer's compliance with Exchange continued listing requirements; or
- (iii) any other information which is necessary to protect investors and the public interest.

The Exchange may halt trading in a listed ~~security token~~Security until it has received and evaluated such information.

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The Exchange may halt trading in an American Depositary Receipt (“ADR”) or other ~~security tokens~~Securities listed on the Exchange, when the Exchange-listed ~~security token~~Security or the security underlying the ADR is listed on or registered with another national securities exchange or foreign exchange or market, and the national securities exchange or foreign exchange or market, or regulatory authority overseeing such exchange or market, halts trading in such ADR or ~~security token~~Security for regulatory reasons. The Exchange may halt trading in a ~~security token~~Security when the issuer’s Primary Equity Security is halted.

IM-26402-3

The Exchange asks companies that intend to issue material news after the closing of trading on BSTX to delay doing so until the earlier of publication of such company’s official closing price on BSTX or fifteen minutes after the close of trading on BSTX in order to facilitate an orderly closing process to trading on BSTX. Trading on BSTX typically closes at 4:00 P.M. Eastern Time, except for certain days on which trading closes early at 1:00 P.M. Eastern Time.

26403. Content and Preparation of Public Announcements

- (a) Exchange Requirements—The content of a press release or other public announcement is as important as its timing. Each announcement should:
- (1) be factual, clear and succinct;
 - (2) contain sufficient quantitative information to allow investors to evaluate its relative importance to the activities of the company;
 - (3) be balanced and fair, i.e., the announcement should avoid the following:
 - i. The omission of important unfavorable facts, or the slighting of such facts (e.g., by “burying” them at the end of a press release).
 - ii. The presentation of favorable possibilities as certain, or as more probable than is actually the case.
 - iii. The presentation of projections without sufficient qualification or without sufficient factual basis.
 - iv. Negative statements phrased so as to create a positive implication, e.g., “The company cannot now predict whether the development will have a materially favorable effect on its earnings” (creating the implication that the effect will be favorable even if not materially favorable), or “The company expects that the development will not have a materially favorable effect on earnings in the immediate future” (creating the implication that the development will eventually have a materially favorable effect).
 - v. The use of promotional jargon calculated to excite rather than to inform.

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- (4) avoid over-technical language, and should be expressed to the extent possible in language comprehensible to the layman;
 - (5) explain, if the consequences or effects of the information on the company's future prospects cannot be assessed, why this is so; and
 - (6) clarify and point out any reasonable alternatives where the public announcement undertakes to interpret information disclosed.
- (b) **Securities Laws Requirements**—The requirements of the Federal securities laws must also be carefully considered in the preparation of public announcements. In particular, these laws may impose special restrictions on the extent of permissible disclosure before or during a public offering of securities, including ~~security tokens~~[Securities](#), or a solicitation of proxies. Generally, in such circumstances, while the restrictions of the securities laws may affect the character of disclosure, they do not prohibit the timely disclosure of material factual information. Thus, it is normally possible to effect the disclosure required by Exchange policy.
- (c) **Preparation of Announcements**—The following guidelines for the preparation of press releases and other public announcements should help companies to ensure that the content of such announcements will meet the requirements discussed above:
- (1) Every announcement should be either prepared or reviewed by a company official having familiarity with the matters about which disclosure is to be made and a company official familiar with the requirements of the Exchange, as well as any applicable requirements of the securities laws.
 - (2) Since skill and experience are important to the preparation and editing of accurate, fair and balanced public announcements, the Exchange recommends that a limited group of individuals within the company be given this assignment on a continuing basis. (Since a press announcement usually must be prepared and released as quickly as possible, however, the group charged with this assignment should be large enough to handle problems that arise suddenly and unexpectedly.) The Exchange can assist in assessing whether the release satisfies the Exchange's disclosure requirements.
 - (3) Review of press releases and other public announcements by legal counsel is often desirable and necessary, depending on the importance and complexity of the announcement.

26404. Exchange Surveillance Procedures

In many cases, when unusual market activity occurs, the Exchange is able to trace the reason for the activity to a specific cause, such as recently disclosed information, recommendations by advisory services, or rumors. In certain instances, the Exchange may also contact brokerage firms if such firms or their customers are parties to unusual activity to inquire as to the source and reasons for such activity. (This latter information, it should be noted, must remain confidential to the Exchange.) If no explanation of the unusual activity is revealed, the Exchange may call officials of the company to determine whether the cause of the activity is known to them. If the activity appears to be attributable to a rumor or report, or to material information

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that has not been publicly disseminated, the company is requested to take appropriate corrective action, and it may be advisable to halt trading until such action has been taken.

26405. Notifications to Exchange

Prompt notice from the listed company to the Exchange is required in connection with certain actions or events. If a provision of the BSTX Listing Standards require a company to give notice to the Exchange pursuant to this Rule 26405, the company shall provide such notice via an email address specified by the Exchange on its website (and the Exchange shall promptly update and prominently display the applicable information on its website in the event that it ever changes), except in emergency situations, when notification may instead be provided by telephone and confirmed by facsimile as specified by the Exchange on its website. For purposes of this Rule 26405, an emergency situation includes lack of computer or internet access; or a technical problem on the systems of either the listed company or the Exchange; or an incompatibility between the systems of the listed company and the Exchange. If a material event or a statement dealing with a rumor which calls for immediate release is made shortly before the opening or during market hours, notice is required to be given through the Exchange's telephone alert procedures. (See Rule 26401) If a rule containing a notification requirement does not specify that such requirement must be met by complying with the notification procedures set forth in this Rule 26405, the company may use the methods provided by this Rule 26405 or any other reasonable method. Listed companies are encouraged to contact the Exchange if they have any questions about the appropriate method of providing notification under applicable Exchange rules.

26500 – Dividends and Splits**26501. Notice of Dividend**

Prompt notice must be given to the Exchange as to any dividend action or action relating to a ~~security token~~[Security](#) distribution in respect of a listed ~~security token~~[Security](#) (including the omission or postponement of a dividend action at the customary time as well as the declaration of a dividend). Such notice is in addition to immediate publicity and should be given at least ten days in advance of the record date. The dividend notice should be given to the Exchange in accordance with Rule 26405 Notice should be given as soon as possible after declaration. Notice must be given to the Exchange no later than 10 minutes before the announcement to the news media (including when the notice is to be issued outside of Exchange trading hours).

26502. Record Date

A company is not permitted to close its stock transfer books for any reason, including the declaration of a dividend. Rather, it must establish a record date for ~~security token~~[Security](#) holders entitled to a dividend which is at least ten days after the date on which the dividend is declared (declaration date).

A company is also required to give the Exchange at least ten days' notice in advance of a record date established for any other purpose, including meetings of shareholders.

26503. Form of Notice

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Immediately after the board of directors has declared a cash, ~~security token~~Security or stock dividend, the company should comply with: (a) the notification requirements set forth in Rules 26405 and 26501 and (b) the immediate release policy pursuant to Rules 26401(a) and (b). The announcement and notice should specify the name of the company, date of declaration, amount (per ~~security token~~Security) of the dividend, and the record and payment dates.

In the case of stock or ~~security token~~Security dividends, payment of cash is required with respect to any distribution (or part of a distribution) that would result in fractional ~~security token~~Security interests (see Rule 26507) and the notice to the Exchange should also state the basis for determining the amount (for example, based on the “last sale” on the record date).

The dividend notice should also state the “cut-off” date (usually five to seven days after the record date) until which the transfer agent will accept instructions from brokers as to their requirements for full shares, ~~security tokens~~Securities, or cash with respect to ~~security tokens~~Securities registered in their names, as nominees, and as to which they must make exact allocations among their clients.

26504. Non-Payment of Dividends

If a company has been paying regular dividends and its board of directors determines to cease or postpone such payments, this fact should be announced at least twice: first, immediately at the time the board decides to cease or postpone payment, and second, on the next monthly, quarterly, or other periodic date of declaration (assuming it is again decided to omit or postpone payment). Such announcement should be provided to the Exchange pursuant to Rules 26405 and 26501 above and issued to the public pursuant to the immediate release policy set forth in Rules 26401 above. The notice and announcement should be in the form specified in Rule 26503 above.

26505. Security ~~Token~~ Dividends or Forward Splits of Lower Priced Issues

The Exchange does not view favorably a ~~security token~~Security dividend or forward split of a ~~security token~~Security selling in a low price range or a substantial ~~security token~~Security dividend or forward split which may result in an abnormally low price range for ~~security tokens~~Securities after the split or ~~security token~~Security dividend. Any company considering a forward split (or a ~~security token~~Security dividend of more than 5%) which would result in an adjusted price of less than \$3 per ~~security token~~Security should consult with the Exchange in advance of taking formal action. (See also Rule 26970 for information regarding reverse splits.)

26506. Reserved**26507. Cash in Lieu of Fractional ~~Security-Tokens~~Securities**

The Exchange does not permit fractional interests in ~~security tokens~~Securities. Any distribution or part of a distribution that might result in fractional interests in ~~security tokens~~Securities must be paid in cash.

26508. Reserved

EXHIBIT 4**26509. Dividend or Split-Up Listing Application**

Refer to Rule 26304

26510. Reserved**26511. Definition of “ex-dividend” and “ex-rights”**

The term “ex-dividend” means “without the dividend” and the term “ex-rights” means “without the rights”. The effect of quoting a ~~security token~~Security “ex-dividend” or “ex-rights” is that quotations for, and transactions in, the ~~security token~~Security on and after the “ex-dividend” or “ex-rights” date reflect the fact that the buyer is not entitled to the dividend or rights.

NOTE: Transactions in ~~security tokens~~Securities are not ex-dividend or ex-rights until an announcement to that effect is made by the Exchange.

26512. Ex-dividend Procedure

Transactions in ~~security tokens~~Securities (except those made for “cash”) are ex-dividend on the business day preceding the record date. If the record date selected is not a business day, the ~~security token~~Security will be quoted ex-dividend on the second preceding business day. “Cash” transactions are ex-dividend on the business day following the record date.

26513. Ex-Rights Procedure

In the establishment and announcement of ex-rights dates, the Exchange proceeds as follows:

(a) Subscription Price Not Known—Where the subscription price and all other terms of the rights and subscription offering are not known sufficiently in advance of the record date to determine the value of the rights, the Exchange will rule the ~~security tokens~~Securities ex-rights on the day following the date the rights commence trading (which, in most instances, is a date subsequent to the record date for the subscription offering).

Under such circumstances, the Exchange requires that all deliveries of ~~security tokens~~Securities made after the record date in settlement of transactions made prior to the ex-rights date, and on a “rights on” basis carry “due bills” for the rights. *

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A “DUE BILL” is an instrument used by Participants, when, for any reason, it becomes necessary to postpone an “ex-dividend” or “ex-rights” date. The due bill has the effect of transferring the right to receive a dividend, distribution or subscription right from the ~~security token~~Security holder on the record date to the purchaser of the ~~security token~~Security who, at the time of the transaction, paid a “dividend on” or “rights on” price.

26514. Special Rulings

As more fully explained in Rule 26521, the Exchange may, in any particular case (such as where conditional, large or valuable dividends are declared, or where the Exchange does not receive

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timely notice of dividend declarations or offerings of subscription rights), direct that transactions shall be ex-dividend or ex-rights on a day other than that fixed by Exchange rules and may prescribe the procedure to be followed in connection therewith. In such instances, on transactions made prior to the ex-dividend or ex-rights date, the Exchange, by special ruling, will require that deliveries too late to effect transfer in the normal course by the record date, shall be accompanied by due bills for the dividend or rights.

26515. Return of Dividend

Participants, receiving deliveries in advance of the record date against ex-dividend or ex-rights transactions, who are able to effect transfer of the purchased ~~security token~~Security by the record date, will be responsible to return the dividend or rights to the Participant from whom delivery was received.

26516. Reserved**26517. Optional Dividends**

When a dividend is payable at the option of the ~~security token~~Security holder, in either cash or securities, the ~~security tokens~~Securities will be ex-dividend the value of the cash or securities, whichever is greater.

26518. Canadian Currency

When a dividend is payable in Canadian currency, the stock will be “ex” the amount of the dividend in U.S. currency, at the rate of exchange prevailing on the ex-dividend date. Orders will not be reduced to an ex-dividend basis by the amount of any tax on the dividend deductible at the source.

26519. American Depositary Receipts

In the case of American shares or American Depositary Receipts for stocks of foreign (other than Canadian) corporations, the reduction of orders to an ex-dividend basis shall be for the net amount of the dividend in U.S. currency after giving effect to all deductions, including taxes, foreign exchange discount, and the expenses of the Depositary.

26520. Reserved**26521. Special Ex-dividend Rulings**

- (a) Late Notices—If, as required by Exchange rules, the Exchange does not receive a notice of a dividend declaration sufficiently in advance of a record date to permit a ~~security token~~Security to be quoted “ex-dividend” in the usual manner, the Exchange quotes the ~~security token~~Security “ex-dividend” as soon as possible following receipt of notice of the dividend. The Exchange also rules that the “dividend on” purchaser (in transactions made during the interval between the date when the ~~security token~~Security should have been quoted “ex” and the date when the ~~security token~~Security is actually quoted “ex”) is entitled to receive the dividend from the seller. The seller in such transactions is required to give to the purchaser a due bill, covering the amount of the dividend, to be redeemed

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subsequent to the payment date for the dividend.

The use of due bills causes vexing problems between Participants and their customers because it is often difficult to explain to the selling customer why he should give up a dividend paid to him by the company. Therefore, the Exchange requires listed companies to furnish to the Exchange timely notification of dividend declarations (i) as many days as possible in advance of the record date and, in any event, (ii) no less than ten (10) days in advance of the record date.

- (b) Large or Valuable Dividends, Dividends “Not In Kind”, and Split-ups Effected as Distributions—When large or valuable cash, stock or ~~security token~~Security dividends (usually 20% or more), or a dividend “not in kind” (i.e., a distribution of securities of another issuer), or a split-up is declared, it is the policy of the Exchange to postpone the “ex-dividend” or “ex-distribution” date until the dividend has been paid. The reason for this is so that the ~~security token~~Security is not quoted at the substantially lower “ex-dividend” or “ex-distribution” price until the distribution is received by ~~security token~~Security holders. If this were not the case, the collateral value of the ~~security token~~Security would be reduced between the “ex” date and payment date, and the ~~security token~~Security holder might be required to provide additional collateral.

In the case of dividends “not in kind” (regardless of its size in relation to the listed ~~security token~~Security), it will be necessary to postpone the “ex-dividend” date in the event a market does not exist in the security to be distributed at the time the listed issue would normally be quoted “ex-dividend”.

In all of the above instances, the postponement of the “ex” date until after the payment date makes it possible for ~~security token~~Security holders to sell all of their holdings at one time, on a “dividend on” basis (prior to the “ex” date). As a result, purchasers of the ~~security token~~Security prior to the “ex” date continue to pay a “dividend on” price, but will not receive the dividend payment from the company. Accordingly, the Exchange rules that the “dividend on” purchaser is entitled to receive the dividend from the seller. The seller, in turn, is required to give the purchaser a due bill, covering the amount of the dividend, to be redeemed on the date fixed by the Exchange.

- (c) “Cash” Transactions—The Ex-Dividend Rule of the Exchange specifies that “cash” transactions (in which delivery of the security must be made on the date of the transaction) shall be “ex-dividend” on the business day following the record date.

26522. Price Adjustment of Open Orders on “Ex-Date”

- (a) When a ~~security tokens~~Securities quoted ex-dividend, ex-distribution, ex-rights or ex-interest, all open orders to buy and open stop orders to sell shall be reduced by the cash value of the payment or rights, except where the ~~security token~~Security is quoted “ex” a ~~security token~~Security dividend or ~~security token~~Security distribution, in which case the provisions of paragraph (b) apply.

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- (b) When a ~~security token~~Security is quoted "ex" a ~~security token~~Security dividend, or ~~security token~~Security distribution all open orders, including open orders to sell and open orders to buy, shall be reduced by the proportional value of the dividend.

NOTE: The fact that a ~~security token~~Security is quoted "ex-dividend" does not mean that the initial sale of the ~~security token~~Security "ex-dividend" will always be lower, by the amount of the dividend, than the last preceding "dividend on" sale. In many instances this does happen. Other times, however, ~~security tokens~~Securities sell "ex-dividend" at prices (lower or higher than the preceding "dividend on" sale) unrelated to the amount of the dividend, since factors other than "ex-dividend" dates influence prices.

26600 – Accounting; Annual and Quarterly Reports**26601. Reserved****26602. Reserved****26603. Change in Accountants**

A listed company is required to notify the Exchange (prior to filing its 8-K) if it changes independent accountants; and must state the reason for such change.

26604. Defaults

A listed company must immediately notify the Exchange whenever there exists: (a) an event of default in any technical covenant of its outstanding loan agreements; (b) a default in interest or principal payments on outstanding indebtedness; (c) a default in cumulative dividend payments on an outstanding preferred stock issue; (d) a default in cumulative dividend payments on an outstanding preferred ~~security tokens~~Securities or (e) a failure to meet the sinking fund or redemption provisions of any outstanding debt or equity issues of the company.

26605. Peer Review

- (a) A listed company must be audited by an independent public accountant that:
- (1) has received an external quality control review by an independent public accountant ("peer review") that determines whether the auditor's system of quality control is in place and operating effectively and whether established policies and procedures and applicable auditing standards are being followed; or
 - (2) is enrolled in a peer review program and within 18 months receives a peer review that meets acceptable guidelines.
- (b) The following guidelines are acceptable for the purposes of Rule 26605:
- (1) the peer review should be comparable to AICPA standards included in Standards for Performing on Peer Reviews, codified in the AICPA's SEC Practice Section Reference Manual;

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- (2) the peer review program should be subject to oversight by an independent body comparable to the organizational structure of the Public Oversight Board as codified in the AICPA's SEC Practice Section Reference Manual; and
- (3) the administering entity and the independent oversight body of the peer review program must, as part of their rules of procedure, require the retention of the peer review working papers for 90 days after acceptance of the peer review report and allow the Exchange access to those working papers.

26606-26609. Reserved**26610. Publication of Annual Report**

- (a) Any listed company that is required to file with the SEC an annual report that includes audited financial statements (including on Forms 10-K, 20-F, 40-F or N-CSR) is required to simultaneously make such annual report available to ~~security token~~[Security](#) holders on or through the company's website.

A company must also post to its website a prominent undertaking in the English language to provide all holders (including preferred stockholders, preferred ~~security token~~[Security](#) holders and bondholders) the ability, upon request, to receive a hard copy of the company's complete audited financial statements free of charge and simultaneously issue a press release stating that its annual report has been filed with the SEC. This press release must also specify the company's website address and indicate that shareholders have the ability to receive a hard copy of the company's complete audited financial statements free of charge upon request. The company must provide such hard copies within a reasonable period of time following the request. Moreover, the press release must be published pursuant to the Exchange's press release policy (see Rule 26401 above).

A listed company that:

- is subject to the U.S. proxy rules that provides its audited financial statements (as included on Forms 10-K, 20-F and 40-F) to beneficial shareholders in a manner that is consistent with the physical or electronic delivery requirements applicable to annual reports set forth in Rules 14a-3 and 14a-16 of the U.S. proxy rules, or
- is an issuer not subject to the U.S. proxy rules that provides its audited financial statements (as included on Forms 10-K, 20-F and 40-F) to beneficial shareholders in a manner that is consistent with the physical or electronic delivery requirements applicable to annual reports set forth in Rules 14a-3 and 14a-16 of the U.S. proxy rules,

is not required to issue the press release or post the undertaking required above. A company that fails to file its annual report on Forms 10-K, 20-F, 40-F or N-CSR with the SEC in a timely manner is subject to the compliance procedures set forth in Rule 27007.

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- (b) A listed company that receives an audit opinion that contains a going concern emphasis must make a public announcement through the news media disclosing the receipt of such opinion. Prior to the release of the public announcement, the listed company must provide such announcement to the Exchange in a manner consistent with the requirements for the provision of material news to the Exchange under Rule 26401 hereof. The public announcement shall be made contemporaneously with the filing of such audit opinion in a public filing with the Securities and Exchange Commission.

26611-26615. Reserved**26616. President's Letter**

Most annual reports contain a letter to shareholders from the President or other officer of the company. The Exchange expects that such letter, as well as all other releases and statements by the company, will be factual and that judgment and restraint will be used in not publicizing information which may be construed as over-optimistic, slanted or promotional. (See Rules 26401-26404 for a further discussion of the Exchange's disclosure requirements.)

26617-26622. Reserved**26623. Dissemination**

Interim statements (unaudited) are not required to be sent to ~~security token~~Security holders by any company whose common stock or equity ~~security tokens~~Securities is listed on a national securities exchange. (However, many companies do send such statements.)

Companies whose common stock or ~~security tokens~~Securities are not listed on a national securities exchange must send interim statements (unaudited) to holders of its ~~security tokens~~Securities which are listed on BSTX.

Interim statements of sales and earnings must be on the basis of the same degree of consolidation as the annual report. Such statements should disclose any substantial items of unusual or nonrecurrent nature and will show net income before and after federal income taxes.

As a matter of fairness, corporations which distribute interim reports to shareholders should distribute such reports to both registered and beneficial shareholders.

In all cases, such information (whether or not furnished to ~~security token~~Security holders) must be disseminated in the form of a press release to one or more newspapers of general circulation in New York regularly publishing financial news and to one or more of the national news-wire services. A copy must also be sent to the Exchange. Further information on the handling of press releases is set forth in Rules 26401-26404.

26624. Exceptions

Exception to the Exchange's requirement that quarterly results be distributed in the form of a press release is made only in cases where conditions peculiar to the type of company, or to the particular company itself, would make such a release impracticable or misleading, as in the case

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The Exchange recommends that such notice and proxy-soliciting material be received by shareholders as many days as possible (preferably at least 20 days) in advance of the meeting. A similar arrangement should be followed in delivering such proxy material to Participants in order to allow such organizations ample time to mail the material to, and receive voting instructions from, beneficial owners.

Companies should be aware that the Exchange's proxy rules provide that in the case of a routine meeting (see Rule 26723), if the proxy material is distributed by a Participant, as record holder, to the beneficial owners of the ~~security tokens~~[Securities](#), at least 15 days before the meeting, and voting instructions from the beneficial owner are not received ten days prior to the meeting, the Participant may then vote the proxy in its discretion. Otherwise, the Participant must receive specific voting instructions from its customers.

If a company plans to request brokers to forward proxy-soliciting material to customers, it should communicate with the brokers at least ten days in advance of the voting record date for the meeting:

- (a) informing them of the record and meeting dates:
- (b) providing them with a return postcard on which they may indicate the number of sets of proxy material required for transmittal to customers; and
- (c) agreeing to reimburse them for out-of-pocket expenses incurred in handling the material.
The sets of proxy material distributed to Participants should include the required number of proxies and annual reports to assure compliance with the rules and regulations of the Exchange and the SEC.

26704. Annual Meetings

Each issuer listing equity ~~security tokens~~[Securities](#) or voting preferred ~~security tokens~~[Securities](#), and/or their equivalents, shall hold an annual meeting of shareholders no later than one year after the end of the issuer's fiscal year.

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At each annual meeting, shareholders must be afforded the opportunity to discuss company affairs with management and, if required by the issuer's governing documents, to elect directors. A new listing that was not previously subject to a requirement to hold an annual meeting is required to hold its first annual meeting within one year after its first fiscal year-end following listing. In addition, an issuer is not required to hold an annual meeting:

- With respect to any fiscal year less than 12 months long that results from a change in fiscal year end; or
- In the year in which it completes an initial public offering.

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However, the Exchange's annual meeting requirement does not supplant any applicable state or federal securities laws concerning annual meetings.

26705. Meetings and Solicitations of Proxies Required

A listed company is required, with respect to any matter requiring authorization by its shareholders, to either (a) hold a meeting of its shareholders in accordance with its charter, by-laws and applicable state or other laws and to solicit proxies (pursuant to a proxy statement conforming to the proxy rules of the SEC) for such meeting of shareholders, or, (b) use written consents in lieu of a special meeting of shareholders as permitted by applicable law. The Exchange has no separate requirements with respect to the solicitation of such consents, but listed companies must comply with applicable state and federal laws and rules (including interpretations thereof), including without limitation, SEC Regulations 14A and 14C.

26706 - 26709. Reserved**26710. Vote Required**

- (a) With respect to votes cast on a proposal in person or by proxy, the minimum vote, under Rules 26711, 26712 and 26713, which will constitute shareholder approval for listing purposes, is defined as approval by a majority of votes cast. (See Rule 26123 regarding quorum requirements.) With respect to the use of written consents in lieu of a special shareholders meeting, the written consent to the proposal of holders of a majority of the shares entitled to vote will constitute shareholder approval for listing purpose under Rules 26711, 26712 and 26713.
- (b) An exception to the shareholder approval requirements contained in Rules 26711, 26712 and 26713 below may be made with respect to a specified issuance of ~~security-tokens~~Securities upon prior written application to the Exchange when (1) the delay in securing shareholder approval would seriously jeopardize the financial viability of the enterprise, and (2) reliance by the company on this exception is expressly approved by the audit committee of the company's board of directors or a comparable body of the board of directors comprised solely of independent, disinterested directors. The company is not permitted to issue, or to authorize its transfer agent or registrar to issue or register the ~~security-tokens~~Securities in question until it has received written notification from the Exchange that the exception to the shareholder approval requirements has been granted and the ~~security-tokens~~Securities have been approved for listing pursuant to Rule 26301.

A company that receives such an exception must mail to all shareholders not later than ten days before issuance of the ~~security-tokens~~Securities a letter alerting them to its omission to seek the shareholder approval that would otherwise be required. Such notification shall disclose the terms of the transaction (including the number of equity ~~security-tokens~~Securities that could be issued and the consideration received), the fact that the company is relying on a financial viability exception to the shareholder approval rules, and that the audit committee or a comparable body of the board of directors comprised solely of independent, disinterested directors has expressly approved the company's reliance on the exception. The company shall also make a public

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announcement through the news media disclosing the same information as promptly as possible, but no later than ten days before the issuance of the ~~security tokens~~Securities.

26711. Shareholder Approval of Option and Equity Compensation Plans

Approval of shareholders is required in accordance with Rule 26705 with respect to the establishment of (or material amendment to) a stock option or purchase plan or other equity compensation arrangement pursuant to which options, or stock (or ~~security tokens~~Securities) may be acquired by officers, directors, employees, or consultants, regardless of whether or not such authorization is required by law or by the company's charter, except for:

- (a) issuances to an individual, not previously an employee or director of the company, or following a bona fide period of non-employment, as an inducement material to entering into employment with the company provided that such issuances are approved by the company's independent compensation committee or a majority of the company's independent directors, and, promptly following an issuance of any employment inducement grant in reliance on this exception, the company discloses in a press release the material terms of the grant, including the recipient(s) of the grant and the number of shares involved; or
- (b) tax-qualified, non-discriminatory employee benefit plans (e.g., plans that meet the requirements of Section 401(a) or 423 of the Internal Revenue Code) or parallel nonqualified plans, provided such plans are approved by the company's independent compensation committee or a majority of the company's independent directors; or plans that merely provide a convenient way to purchase shares in the open market or from the issuer at fair market value; or
- (c) a plan or arrangement relating to an acquisition or merger; or
- (d) warrants or rights issued generally to all security holders of the company or stock (or ~~security token~~Security) purchase plans available on equal terms to all security holders of the company (such as a typical dividend reinvestment plan).

A listed company is required to notify the Exchange in writing with respect to the use of any of the exceptions set forth in paragraphs (a) through (d).

IM-26711-1

Rule 26711 requires shareholder approval when a plan or other equity compensation arrangement is established or materially amended. For these purposes, a material amendment would include, but not be limited to, the following:

- (a) any material increase in the number of shares to be issued under the plan (other than to reflect a reorganization, share split, merger, spinoff or similar transaction);
- (b) any material increase in benefits to participants, including any material change to: (i) permit a repricing (or decrease in exercise price) of outstanding options, (ii) reduce the

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preceding sentence; and (iii) no participant receives employer equity contributions under the plan in excess of 25% of the participant's cash compensation.

26712. Acquisitions

Approval of shareholders is required in accordance with Rule 26705 as a prerequisite to approval of applications to list additional shares to be issued as sole or partial consideration for an acquisition of the equity or assets of another company in the following circumstances:

(a) if any individual director, officer or substantial shareholder of the listed company has a 5% or greater interest (or such persons collectively have a 10% or greater interest), directly or indirectly, in the company or assets to be acquired or in the consideration to be paid in the transaction and the present or potential issuance of equity ~~security-tokens~~Securities or common stock, or securities convertible into equity ~~security-tokens~~Securities or common stock, could result in an increase in total outstanding equity-~~security-tokens~~Securities and common stock of 5% or more; or

(b) where the present or potential issuance of equity ~~security-tokens~~Securities, or securities convertible into equity ~~security-tokens~~Securities or common stock, could result in an increase in total outstanding equity ~~security-tokens~~Securities and common stock of 20% or more.

IM-26712-1

A series of closely related transactions may be regarded as one transaction for the purpose of this policy. Companies engaged in merger or acquisition discussions must be particularly mindful of the Exchange's timely disclosure policies. In view of possible market sensitivity and the importance of providing investors with sufficient information relative to an intended merger or acquisition, listed company representatives are strongly urged to consult with the Exchange in advance of such disclosure.

26713. Other Transactions

The Exchange will require shareholder approval in accordance with Rule 26705 as a prerequisite to approval of applications to list additional ~~security-tokens~~Securities in the following circumstances:

- (a) when the additional shares will be issued in connection with a transaction involving:
- (1) the sale, issuance, or potential issuance by the issuer of equity ~~security-tokens~~Securities or common stock (or securities convertible into equity ~~security-tokens~~Securities or common stock) at a price less than the greater of book or market value which together with sales by officers, directors or principal shareholders of the issuer equals 20% or more of total equity ~~security-tokens~~Securities and common stock presently outstanding; or
 - (2) the sale, issuance, or potential issuance by the issuer of equity ~~security-tokens~~Securities

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~~tokens~~Securities or common stock (or securities convertible into equity ~~security~~
~~tokens~~Securities or common stock) equal to 20% or more of total equity ~~security~~
~~tokens~~Securities and common stock presently outstanding for less than the greater
of book or market value of the equity ~~security~~~~tokens~~Securities and common
stock; or

- (b) when the issuance or potential issuance of additional shares will result in a change of control of the issuer, including, but not limited to, those issuances that constitute a Reverse Merger as specified in Rule 26341.

The Exchange should be consulted whenever an issuer is considering issuing a significant percentage of its shares, to ascertain whether shareholders' approval will be required under this rule.

NOTE: This rule does not apply to public offerings.

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Rule 26713 provides that shareholder approval is required for “a transaction involving the sale or issuance by the company of equity ~~security~~~~tokens~~Securities or common stock (or securities convertible into or exercisable for equity ~~security~~~~tokens~~Securities or common stock) equal to 20 percent or more of total ~~security~~~~tokens~~Securities and common stock presently outstanding for less than the greater of book or market value of the ~~security~~~~token~~Security or common stock.” Under this rule, shareholder approval is not required for a “public offering.”

Issuers are encouraged to consult with the Exchange in order to determine if a particular offering is a “public offering” for purposes of the shareholder approval rules. Generally, a firm commitment underwritten securities offering registered with the Securities and Exchange Commission will be considered a public offering for these purposes. Likewise, any other securities offering which is registered with the Securities and Exchange Commission and which is publicly disclosed and distributed in the same general manner and extent as a firm commitment underwritten securities offering will be considered a public offering for purposes of the shareholder approval rules. However, the Exchange will not treat an offering as a “public offering” for purposes of the shareholder approval rules merely because they are registered with the Commission prior to the closing of the transaction.

When determining whether an offering is a “public offering” for purposes of these rules, the Exchange will consider all relevant factors, including but not limited to:

- (i) the type of offering (including whether the offering is conducted by an underwriter on a firm commitment basis, or an underwriter or placement agent on a best-efforts basis, or whether the offering is self-directed by the issuer);
- (ii) the manner in which the offering is marketed (including the number of investors offered securities, how those investors were chosen, and the breadth of the marketing effort);

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- (iii) the extent of the offering's distribution (including the number and identity of the investors who participate in the offering and whether any prior relationship existed between the issuer and those investors);
- (iv) the offering price (including the extent of any discount to the market price of the ~~security tokens~~Securities offered); and
- (v) the extent to which the issuer controls the offering and its distribution.

26714 – 26719. Reserved**26720. Application of Proxy Rules**

Rules 26720 through 26725 and Rule 22020, inclusive applies to Participants regardless of whether the ~~security token~~Security involved is traded on the Exchange. However, if a conflict arises between this rule and those of another registered national securities association or exchange, the rules of the Exchange apply only if it is the principal market for the ~~security token~~Security.

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All Participants are expected to be familiar with the proxy rules of the Securities and Exchange Commission.

26721. Giving of Proxies—Restrictions on Participants

No Participant shall give or authorize the giving of a proxy to vote ~~security tokens~~Securities registered in its name, or in the name of its nominee, except as required or permitted under the provisions of Rule 26723, unless such Participant is the beneficial owner of such ~~security tokens~~Securities. Notwithstanding the foregoing.

- (1) any Participant designated by a named fiduciary as the investment manager of ~~security tokens~~Securities held as assets of an ERISA Plan that expressly grants discretion to the investment manager to manage, acquire, or dispose of any plan asset and which has not expressly reserved the proxy voting right for the named fiduciary may vote the proxies in accordance with its ERISA Plan fiduciary responsibilities; and
- (2) any person registered as an investment adviser either under the Investment Advisers Act of 1940 or under the laws of a state, who exercises investment discretion pursuant to an advisory contract for the beneficial owner and has been designated in writing by the beneficial owner to vote the proxies for ~~security tokens~~Securities which is in the possession or control of the Participant, may vote such proxies.

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The term “state” as used in Rules 26721, 26722, 26723 and 26725 shall have the meaning given to such term in Section 202(a)(19) of the Investment Advisers Act of 1940, as such term may be amended from time to time therein.

26722. Transmission of Proxy Material to Customers

(a) Whenever a person soliciting proxies shall furnish a Participant:

- (1) copies of all soliciting material which such person is sending to registered holders, and
- (2) satisfactory assurance that he will reimburse such Participant for all out-of-pocket expenses, including reasonable clerical expenses, incurred by such Participant in connection with such solicitation, such Participant shall transmit to each beneficial owner of ~~security-tokens~~Securities which is in its possession or control or to an investment adviser registered either under the Investment Advisers Act of 1940 or under the laws of a state, who exercises investment discretion pursuant to an advisory contract for the beneficial owner and has been designated in writing by the beneficial owner of such ~~security-token~~Security (hereinafter “designated adviser”) to receive soliciting material in lieu of the beneficial owner, the material furnished; and

(b) such Participant shall transmit with such material either:

- (1) a request for voting instructions and, as to matters which may be voted without instructions under Rule 26723, a statement to the effect that, if such instructions are not received by the tenth day before the meeting, the proxy may be given at discretion by the owner of record of the ~~security-token~~Security; provided, however, that such statement may be made only when the proxy soliciting material is transmitted to the beneficial owner of the ~~security-token~~Security or to the beneficial owner’s designated investment adviser, at least fifteen days before the meeting. When the proxy soliciting material is transmitted to the beneficial owner of the ~~security-token~~Security or to the beneficial owner’s designated investment adviser twenty-five days or more before the meeting, the statement accompanying such material shall be to the effect that the proxy may be given fifteen days before the meeting at the discretion of the owner of record of the ~~security-token~~Security; or
- (2) a signed proxy indicating the number of ~~security-tokens~~Securities held for such beneficial owner and bearing a symbol identifying the proxy with proxy records of such Participant, and also a letter informing the beneficial owner or the beneficial owner’s designated investment adviser, of the necessity for completing the proxy form and forwarding it to the person soliciting proxies in order that the ~~security-tokens~~Securities may be represented at the meeting.

IM-26722-1 Annual reports to be transmitted

The annual report shall be transmitted to beneficial owners or to the beneficial owners’ designated investment advisers under the same conditions as those applying to proxy soliciting

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material under Rule 26722 even though it is not proxy-soliciting material under the proxy rules of the Securities and Exchange Commission.

IM-26722-2 Forms of letters to clients requesting voting instructions

The BSTX Listing Supplement contains specimens of letters containing the information and instructions required pursuant to the proxy rules to be given to clients in the circumstances indicated in the appropriate heading. These are shown as examples and not as prescribed forms. Participants are permitted to adapt the form of these letters for their own purposes provided all of the required information and instructions are clearly enumerated in letters to clients.

These letters are designed to permit furnishing to clients the actual proxy form for use in transmitting instructions to the Participant.

IM-26722-3 Forwarding of signed proxy

The following conditions shall be met by a Participant adopting the procedure of sending signed proxies to customers:

- (1) Each signed proxy sent to a customer shall contain a code number for identification and the exact number of ~~security tokens~~Securities held of record for the account of the customer.
- (2) Signed proxies sent to customers shall be accompanied by appropriate instructions to the customer for transmitting his vote to the company.
- (3) The Participant shall advise the company of the number of proxies sent to customers and the identifying numbers and ~~security tokens~~Securities represented by such proxies.
- (4) When requested by a company, the Participant shall send a follow-up request to customers whose proxies have not been received by the company.
- (5) Records of the Participant covering the solicitation of proxies shall show:
 - (a) the date of receipt of the proxy material from the issuer or other person soliciting the proxies;
 - (b) names of customers to whom the material and proxies are sent, and the date of mailing;
 - (c) the number of ~~security tokens~~Securities covered by each proxy;
 - (d) the code number of each customer's proxy.

IM-26722-4 Forms of letters to clients to accompany signed proxies

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Rules 26722 and 26725 require Participants to transmit issuer-supplied annual reports, interim reports, proxy statements and other material to beneficial owners. Participants are not required to transmit more than one annual report, interim report, proxy statement or other material to beneficial owners with more than one account (including trust accounts). In addition, Participants may eliminate multiple transmissions of reports, statements or other materials to beneficial owners having the same address, provided they comply with applicable SEC rules with respect thereto (see SEC Rule 14b-1 under the Securities Exchange Act of 1934).

26723. Giving Proxies By Participants

A Participant shall give or authorize the giving of a proxy for ~~security tokens~~Security registered in its name, or in the name of its nominee, at the direction of the beneficial owner. If the ~~security token~~Security is not in the control or possession of the Participant, satisfactory proof of the beneficial ownership as of the record date may be required.

(a) Voting Participant Holdings as Executor, etc.

A Participant may give or authorize the giving of a proxy to vote any ~~security token~~Security registered in its name, or in the name of its nominee, if such Participant holds such ~~security tokens~~Security as executor, administrator, guardian, trustee, or in a similar representative or fiduciary capacity with authority to vote.

(b) Voting Procedure Without Instructions

A Participant which has transmitted proxy soliciting material to the beneficial owner of a ~~security token~~Security or to an investment adviser registered either under the Investment Advisers Act of 1940 or under the laws of a state who exercises investment discretion pursuant to an advisory contract for the beneficial owner and has been designated in writing by the beneficial owner of such ~~security token~~Security (hereinafter “designated investment adviser”) to receive soliciting material in lieu of the beneficial owner and solicited voting instructions in accordance with the provisions of Rule 26722, and which has not received instructions from the beneficial owner or from the beneficial owner’s designated investment adviser by the date specified in the statement accompanying such material, may give or authorize the giving of a proxy to vote such ~~security token~~Security, provided the person in the Participant organization giving or authorizing the giving of the proxy has no knowledge of any contest as to the action to be taken at the meeting and provided such action is adequately disclosed to ~~security token~~Security holders and does not include authorization for a merger, consolidation or any other matter which may affect substantially the rights or privileges of such ~~security token~~Security.

(c) Instructions on ~~security tokens~~Security in Names of Other Participants

A Participant which has in its possession or control ~~security tokens~~Security registered in the name of another Participant, and which has solicited voting instructions in accordance with the provisions of Rule 26722(b)(1), shall

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- (1) Forward to the second Participant any voting instructions received from the beneficial owner, or
- (2) if the proxy-soliciting material has been transmitted to the beneficial owner of the ~~security-token~~Security in accordance with Rule 26722 and no instructions have been received by the date specified in the statement accompanying such material, notify the second Participant of such fact in order that such Participant may give the proxy as provided in the third paragraph of this rule.

(d) Signed Proxies for ~~security-tokens~~Securities in Names of Other Participants

A Participant which has in its possession or control ~~security-tokens~~Securities registered in the name of another Participant, and which desires to transmit signed proxies pursuant to the provisions of Rule 26722(b)(2), shall obtain the requisite number of signed proxies from such holder of record.

IM-26723-1 When a Participant may vote without customer instructions.

Rule 26723, above, provides that a Participant may give a proxy to vote ~~security-tokens~~Securities provided that:

- (1) it has transmitted proxy soliciting material to the beneficial owner of ~~security-tokens~~Securities or to the beneficial owner's designated investment adviser in accordance with Rule 26722, and
- (2) it has not received voting instructions from the beneficial owner or from the beneficial owner's designated investment adviser, by the date specified in the statement accompanying such material, and
- (3) the person at the Participant giving or authorizing the giving of the proxy has no knowledge of any contest as to the action to be taken at the meeting and provided such action is adequately disclosed to shareholders and does not include authorization for a merger, consolidation or any matter which may affect substantially the rights or privileges of such ~~security-tokens~~Securities.

IM-26723-2 When Participants may not vote without customer instructions

In the list of meetings of shareholders, after proxy material has been reviewed by the Exchange, each meeting will be designated by an appropriate symbol to indicate either (a) that Participants may vote a proxy without instructions of beneficial owners, (b) that Participants may not vote specific matters on the proxy, or (c) that Participants may not vote the entire proxy.

Generally speaking, a Participant may not give or authorize a proxy to vote without instructions from beneficial owners when the matter to be voted upon:

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- (1) is not submitted to shareholders by means of a proxy statement comparable to that specified in Schedule 14-A of the Securities and Exchange Commission;
- (2) is the subject of a counter-solicitation, or is part of a proposal made by a shareholder which is being opposed by management (i.e., a contest);
- (3) relates to a merger or consolidation (except when the company's proposal is to merge with its own wholly owned subsidiary, provided its shareholders dissenting thereto do not have rights of appraisal);
- (4) involves right of appraisal;
- (5) authorizes mortgaging of property;
- (6) authorizes or creates indebtedness or increases the authorized amount of indebtedness;
- (7) authorizes or creates a preferred ~~security token~~Security or stock, or increases the authorized amount of an existing preferred ~~security token~~Security or stock;
- (8) alters the terms or conditions of existing ~~security tokens~~Securities or indebtedness;
- (9) involves waiver or modification of preemptive rights;
- (10) changes existing quorum requirements with respect to shareholder meetings;
- (11) alters voting provisions or the proportionate voting power of a ~~security token~~Security, or the number of its votes per ~~security token~~Security (except where cumulative voting provisions govern the number of votes per ~~security token~~Security for election of directors and the company's proposal involves a change in the number of its directors by not more than 10% or not more than one);
- (12) authorizes the implementation of any equity compensation plan, or any material revision to the terms of any existing equity compensation plan (whether or not shareholder approval of such plan is required by Rule 26711;

Commentary to Item 12 - A Participant may not give or authorize a proxy to vote without instructions on a matter relating to executive compensation, even if such matter would otherwise qualify for an exception from the requirements of Item 12, Item 13 or any other Item under this Rule 26723. See Item 21.

- (13) authorizes

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- (a) a new profit-sharing or special remuneration plan, or a new retirement plan, the annual cost of which will amount to more than 10% of average annual income before taxes for the preceding five years, or
- (b) the amendment of an existing plan which would bring its cost above 10% of such average annual income before taxes.

Exception may be made in cases of

- (a) retirement plans based on agreement or negotiations with labor unions (or which have been or are to be approved by such unions); and
- (b) any related retirement plan for benefit of non-union employees having terms substantially equivalent to the terms of such union-negotiated plan, which is submitted for action of shareholders concurrently with such union-negotiated plan.

Commentary to Item 13 - A Participant may not give or authorize a proxy to vote without instructions on a matter relating to executive compensation, even if such matter would otherwise qualify for an exception from the requirements of Item 12, Item 13 or any other Item under this Rule 26723. See Item 21.

- (14) changes the purposes or powers of a company to an extent which would permit it to change to a materially different line of business and it is the company's stated intention to make such a change;
- (15) authorizes the acquisition of property, assets, or a company, where the consideration to be given has a fair value approximating 20% or more of the market value of the previously outstanding ~~security tokens~~Securities;
- (16) authorizes the sale or other disposition of assets or earning power approximating 20% or more of those existing prior to the transaction;
- (17) authorizes a transaction not in the ordinary course of business in which an officer, director or substantial security holder has a direct or indirect interest;
- (18) reduces earned surplus by 51% or more, or reduces earned surplus to an amount less than the aggregate of three years' ~~security token~~Security dividends computed at the current dividend rate;
- (19) is the election of directors, provided, however, that this prohibition shall not apply in the case of a company registered under the Investment Company Act of 1940;
- (20) materially amends an investment advisory contract with an investment company; or

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Commentary to Item 20 - A material amendment to an investment advisory contract would include any proposal to obtain shareholder approval of an investment company's investment advisory contract with a new investment adviser, which approval is required by the Investment Company Act of 1940, as amended (the "1940 Act"), and the rules thereunder. Such approval will be deemed to be a "matter which may affect substantially the rights or privileges of such stock" for purposes of this rule so that a Participant may not give or authorize a proxy to vote ~~security tokens~~Securities registered in its name absent instruction from the beneficial holder of the ~~security tokens~~Securities. As a result, for example, a Participant may not give or authorize a proxy to vote ~~security tokens~~Securities registered in its name, absent instruction from the beneficial holder of the ~~security tokens~~Securities, on any proposal to obtain shareholder approval required by the 1940 Act of an investment advisory contract between an investment company and a new investment adviser due to an assignment of the investment company's investment advisory contract, including an assignment caused by a change in control of the investment adviser that is party to the assigned contract.

(21) relates to executive compensation.

Commentary to Item 21 - A matter relating to executive compensation would include, among other things, the items referred to in Section 14A of the Exchange Act, including (i) an advisory vote to approve the compensation of executives, (ii) a vote on whether to hold such an advisory vote every one, two or three years, and (iii) an advisory vote to approve any type of compensation (whether present, deferred, or contingent) that is based on or otherwise relates to an acquisition, merger, consolidation, sale, or other disposition of all or substantially all of the assets of an issuer and the aggregate total of all such compensation that may (and the conditions upon which it may) be paid or become payable to or on behalf of an executive officer. In addition, a Participant may not give or authorize a proxy to vote without instructions on a matter relating to executive compensation, even if such matter would otherwise qualify for an exception from the requirements of Item 12, Item 13 or any other Item under this Rule 26723. Any vote on these or similar executive compensation-related matters is subject to the requirements of Rule 26723.

IM-26723-3 Discretionary and non-discretionary proposals in one proxy form

In some cases, a proxy form may contain proposals, some of which may be acted upon at the discretion of the Participant in the absence of instructions, and others which may be voted only in accordance with the directions of the beneficial owner. This should be indicated in the letter of transmittal. In such cases, the Participant may vote the proxy in the absence of instructions if it physically crosses out those portions where it does not have discretion.

IM-26723-4 Cancellation of discretionary proxy where counter-solicitation develops

Where a discretionary proxy has been given in good faith under the rules and counter-solicitation develops at a later date, thereby creating a "contest", the question as to whether or not the discretionary proxy should then be cancelled is a matter which each Participant must decide for

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itself. After a contest has developed no further proxies should be given except at the direction of beneficial owners.

IM-26723-5 Subsequent proxy

Where a Participant gives a subsequent proxy, it should clearly indicate whether the proxy is in addition to, in substitution for or in revocation of any prior proxy.

IM-26723-6 Signing and dating proxy-designating ~~security tokens~~ Securities covered

All proxies should be dated and should show the number of ~~security tokens~~ Securities voted. Since manual signatures are sometimes illegible, a Participant should also either type or rubber-stamp its name on such proxy.

IM-26723-7 Proxy records

Records covering the solicitation of proxies shall show the following:

- (1) the date of receipt of the proxy material from the issuer or other person soliciting the proxies;
- (2) names of customers to whom the material is sent together with date of mailing;
- (3) all voting instructions showing whether verbal or written; and
- (4) a summary of all proxies voted by the Participant clearly setting forth total ~~security tokens~~ Securities voted for or against or not voted for each proposal to be acted upon at the meeting.

Verbal voting instructions may be accepted provided a record is kept of the instructions of the beneficial owner and the instructions are retained by the Participant. The record shall also indicate the date of the receipt of the instructions and the name of the recipient.

Instructions from beneficial owners may also be accepted by Participants or their agents through the use of an automated telephone voting system or other electronic means, which has been approved by the Exchange. Such a system shall utilize an identification code for beneficial owners and provide an opportunity for beneficial owners to validate votes to ensure that they were received correctly. The automated system must provide beneficial owners with the same power and authority to issue, revoke, or otherwise change voting instructions as currently exists for instructions communicated in written form. Records of voting including the date of receipt of instructions and the name of the recipient must be retained by the Participant or their agents.

IM-26723-8 Retention of records

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All proxy solicitation records, originals of all communications received and copies of all communications sent relating to such solicitation, shall be retained for a period of not less than three years, the first two years in an easily accessible place.

26724. Transfers to Facilitate Solicitation

A Participant, when so requested by the Exchange, shall transfer ~~security tokens~~ Securities held either for its own account or for the account of others, if registered in the name of a previous holder of record, into its own name, or in the name of its nominee, prior to the taking of a record of shareholders, to facilitate the convenient solicitation of proxies.

The Exchange will make such request at the instance of the issuer or of persons owning in the aggregate at least 10 percent of such ~~security token~~ Security, provided, if the Exchange so requires, the issuer or persons making such request agree to indemnify Participants against transfer taxes, the Exchange may make such a request whenever it deems it advisable.

26725. Transmission of Interim Reports and Other Material

A BSTX Participant, when so requested by a company, and upon being furnished with:

- (1) copies of interim reports of earnings or other material being sent to shareholders, and
- (2) satisfactory assurance that it will be reimbursed by such company for all out-of-pocket expenses, including reasonable clerical expenses, shall transmit such reports or materials to each beneficial owner of ~~security tokens~~ Securities of such company held by such Participant and registered in a name other than the name of the beneficial owner unless the beneficial owner has instructed the Participant in writing to transmit such reports or material to a designated investment adviser registered either under the Investment Advisers Act of 1940 or under the laws of a state, who exercises investment discretion pursuant to an advisory contract for such beneficial owner.

IM-26725-1

This rule applies to both listed and unlisted companies.

IM-26725-2

Mailing charges by Participants are set forth at IM-26722-8, IM-26722-9.0, IM-26722-9.1, IM-26722-9.3 and IM-26722-9.4.

IM-26725-3

Form of bill to be used by member organizations.—

PROXY INVOICE

TO:

INVOICE NO.

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CORPORATE
SECRETARY
COMPANY

DATE

ADDRESS

PLEASE DIRECT ANY QUESTION WITH
RESPECT TO THIS INVOICE TO

(NAME) (TELEPHONE
NO.)

BROKERAGE FIRM NAME

DESCRIPTION OF CHANGES	NO. SETS MAILED	SERVICE FEE	ENVELOPES	POSTAGE	CLASS	TOTAL
			(Not supplied by Issuer)	U.S.		
Proxy Soliciting Mat'l.						
Annual Reports (Mailed Separately)						
Proxy Follow-Up (Mailed to all Accts.) (Mailed Selectively)						
Interim Reports						
Post Meeting Reports						
Stockholder Ltr.						
Other (Explain)						

<u>TOTAL AMOUNT DUE</u>	=>
TOTAL AMOUNT DUE	->

FOR CORPORATION'S
RECORDS

DATE PAID _____

CHECK NO. _____

Please return a copy of this invoice with your
remittance in the enclosed self-addressed envelope.

26726. Voting by DMMs

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BSTX DMMs are prohibited from soliciting, directly or indirectly, any proxy on behalf of themselves or any other person in respect of a ~~security token~~Security in which they are registered as a DMM. DMMs are also prohibited from voting in any proxy contest any such ~~security token~~Security in which they have a beneficial interest.

26727. Proxy to Show Number of ~~security tokens~~Securities

In all cases in which a proxy is given by a Participant the proxy shall state the actual number of ~~security tokens~~Securities for which the proxy is given.

26728. Rules Apply to Nominees

Rules 26721 through 26724 and 26727 shall apply also to any nominees of Participants. They shall apply also to voting in person.

26729. Representations to Management

Before a Participant or employee thereof states to the management of a listed company that he represents shareholders in making demands for changes in management or company policies, he must have received permission of such shareholders to make such demands.

26800 – Corporate Governance**26801. General**

In addition to the quantitative listing standards set forth in the Rule 26000 Series, this Rule 26800 Series specifies certain corporate governance listing standards. These standards apply to all listed companies, subject to the exceptions set forth below, to the extent not inconsistent with Rule 10A-3 under the Securities Exchange Act of 1934.

- (a) **Controlled Companies**—A company in which over 50% of the voting power is held by an individual, a group or another company (a “controlled company”) is not required to comply with Rules 26802(a), 26804 or 26805. A controlled company that chooses to take advantage of any or all of these exceptions must disclose in its annual meeting proxy statement (or in its next annual report on SEC Form 10-K or equivalent if the issuer does not file an annual proxy statement) that it is a controlled company and the basis for that determination.
- (b) **Limited Partnerships and Companies in Bankruptcy**—Limited partnerships and companies in bankruptcy are not required to comply with Rules 26802(a), 26804 or 26805. If a limited partnership is managed by a general partner rather than a board of directors, the audit committee requirements applicable to the listed entity should be satisfied by the general partner.
- (c) **Reserved**
- (d) **Registered Management Investment Companies**—Management investment companies that are registered under the Investment Company Act of 1940 (including closed-end funds) are subject to extensive federal regulation. Accordingly, closed-end funds are not

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required to comply with the requirements in the Rule 26800 Series other than Rules 26802(e), 26803B(1) and the other provisions of Rule 26803 to the extent required under Rule 10A-3 under the Securities Exchange Act of 1934, and are also required to comply with Rule 26810. Closed-end funds are required to comply with the provision in Rule 26803B(4) requiring audit committees for investment companies to establish procedures for the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters by employees of the investment adviser, administrator, principal underwriter, or any other provider of accounting related services for the investment company, as well as employees of the investment company.

- (e) Business development companies, which are a type of closed-end management investment company defined in Section 2(a)(48) of the Investment Company Act of 1940, that are not registered under that Act, are subject to all corporate governance requirements
- (f) Foreign Issuers— While foreign issuers, such as Canadian issuers, may receive exemptions from certain provisions of the BSTX Listing Rules, all foreign issuers are nonetheless required to comply with Rule 26810..
- (g) Preferred—Companies listing only preferred ~~security tokens~~Securities on the Exchange (including cooperative entities that are structured to comply with relevant state law and federal tax law and do not have a publicly traded class of common stock or equity-~~security token~~Security) are only required to comply with Rule 26803 to the extent required by Rule 10A-3 under the Securities Exchange Act of 1934 and the issuer must also comply with Rules 26810(b) and 26810(c).
- (h) Smaller Reporting Companies - Issuers that satisfy the definition of Smaller Reporting Company in Exchange Act Rule 12b-2 are subject to all requirements specified in Rules 26802 and 26803 below, except that such issuers are only required to maintain a board of directors comprised of at least 50% independent directors, and an audit committee of at least two members, comprised solely of independent directors who also meet the requirements of Rule 10A-3 under the Securities Exchange Act of 1934. Smaller Reporting Companies are subject to Rule 26805, except that they are not subject to Rules 26805(c)(1) and (c)(4).

26802. Board of Directors

- (a) At least a majority of the directors on the Board of Directors of each listed company must be independent directors as defined in Rule 26803A, unless the issuer is a controlled company (see Rule 26801(a)), a Smaller Reporting Company (see Rule 26801 (h)) or otherwise exempt under Rule 26801. Each listed company must disclose in its annual meeting proxy statement (or in its next annual report on SEC Form 10-K or equivalent if the issuer does not file an annual proxy statement) those directors that the board of directors has determined to be independent pursuant to Rule 26803A.
- (b) If an issuer fails to comply with the board independence composition requirement due to one vacancy, or if one director ceases to be independent due to circumstances beyond his or her reasonable control, the issuer shall regain compliance with the requirement by the

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(in the case of a registered management investment company) is presumed to qualify as financially sophisticated.

- (b) Notwithstanding Rule 26803B(2)(a), one director who is not independent as defined in Rule 26803A, but who satisfies the requirements of Rule 10A-3 under the Securities Exchange Act of 1934 (see Rule 26803B(2)(a)(i)), and is not a current officer or employee or an immediate family member of such officer or employee, may be appointed to the audit committee, if the board, under exceptional and limited circumstances, determines that membership on the committee by the individual is required by the best interests of the issuer and its shareholders, and the board discloses, in the next annual meeting proxy statement (or in its next annual report on SEC Form 10-K or equivalent if the issuer does not file an annual proxy statement) subsequent to such determination, the nature of the relationship and the reasons for that determination. A director appointed to the audit committee pursuant to this exception may not serve for in excess of two consecutive years and may not chair the audit committee.
- (c) Smaller Reporting Companies – Issuers that satisfy the definition of Smaller Reporting Company in Regulation S-K, Item 10(f)(1) are only required to maintain an audit committee of at least two members, comprised solely of independent directors who also meet the requirements of Rule 10A-3 under the Securities Exchange Act of 1934.
- (3) Meeting Requirements – The audit committee of each issuer must meet on at least a quarterly basis, except that with respect to registered closed-end management investment companies, the audit committee must meet on a regular basis as often as necessary to fulfill its responsibilities, including at least annually in connection with issuance of the investment company’s audited financial statements.
- (4) Audit Committee Responsibilities and Authority – The audit committee of each issuer must have the specific audit committee responsibilities, authority and procedures necessary to comply with Rule 10A-3(b)(2), (3), (4) and (5) under the Securities Exchange Act of 1934 (subject to the exemptions provided in Rule 10A-3(c) under the Securities Exchange Act of 1934), concerning responsibilities relating to: (a) registered public accounting firms, (b) complaints relating to accounting, internal accounting controls or auditing matters, (c) authority to engage advisors, and (d) funding as determined by the audit committee. Audit committees for investment companies must also establish procedures for the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters by employees of the investment adviser, administrator, principal underwriter, or any other provider of accounting related services for the investment company, as well as employees of the investment company.
- (5) Exception – At any time when an issuer has a class of common equity securities (or similar securities which may include ~~security tokens~~[Securities](#)) that is listed on another national securities exchange or national securities association subject to the requirements of SEC Rule 10A-3 under the Securities Exchange Act of 1934, the listing of classes of ~~security tokens~~[Securities](#) of a direct or indirect consolidated subsidiary or an at least 50%

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beneficially owned subsidiary of the issuer (except classes of equity ~~security tokens~~Securities, other than non-convertible, non-participating preferred ~~security tokens~~Securities, of such subsidiary) shall not be subject to the requirements of this Rule 26803B.

(6) Cure Period

- (a) If an issuer fails to comply with the audit committee composition requirements because a member of the issuer's audit committee ceases to be independent in accordance with Rule 26803A and/or the requirements of Rule 10A-3 under the Securities Exchange Act of 1934 for reasons outside the member's reasonable control, that person, with prompt notice to the Exchange, may remain an audit committee member of the issuer until the earlier of the next annual shareholders' meeting of the issuer or one year from the occurrence of the event that caused the member to be no longer independent.
- (b) If an issuer fails to comply with the audit committee composition requirements because a vacancy arises on the audit committee, and the cure period in paragraph (a) is not otherwise being relied upon for another member, the issuer will have until the earlier of the next annual shareholders' meeting or one year from the occurrence of the event that caused the failure to comply with this requirement; provided, however, that if the annual shareholders' meeting occurs no later than 180 days following the event that caused the failure to comply with the audit committee composition requirement, the listed issuer (other than a Smaller Reporting Company) shall instead have 180 days from such event to regain compliance and for a Smaller Reporting Company if the annual shareholders' meeting occurs no later than 75 days following the event that caused the failure to comply with the audit composition requirement a Smaller Reporting Company shall instead have 75 days from such event to regain compliance.

IM-26803-1

"Immediate family member" includes a person's spouse, parents, children, siblings, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law, and anyone who resides in such person's home (other than domestic employees).

IM-26803-2

"Company" includes any parent or subsidiary of the issuer listed on BSTX. "Parent" or "subsidiary" includes entities that are consolidated with the issuer's financial statements as filed with the SEC (but not if the issuer reflects such entity solely as an investment in its financial statements).

IM-26803-3

"Officer" shall have the meaning specified in Rule 16a-1(f) under the Securities Exchange Act of 1934, or any successor rule.

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the ordinary course of providing business services (such as payments of interest or proceeds related to banking services or loans by an issuer that is a financial institution or payment of claims on a policy by an issuer that is an insurance company), payments arising solely from investments in the company's securities and loans permitted under Section 13(k) of the Securities Exchange Act of 1934 will not preclude a finding of director independence as long as the payments are non-compensatory in nature. Depending on the circumstances, a loan or payment could be compensatory if, for example, it is not on terms generally available to the public.

26804. Board Nominations

- (a) Board of Director nominations must be either selected, or recommended for the Board's selection, by either a Nominating Committee comprised solely of independent directors or by a majority of the independent directors.
- (b) Notwithstanding paragraph (a) above, if the Nominating Committee is comprised of at least three members, one director who is not independent as defined in Rule 26803A, and is not a current officer or employee or an immediate family member of such person, may be appointed to the Nominating Committee, if the board, under exceptional and limited circumstances, determines that membership on the committee by the individual is required by the best interests of the company and its shareholders, and the board discloses, in the next annual meeting proxy statement (or in its next annual report on SEC Form 10-K or equivalent if the issuer does not file an annual proxy statement) subsequent to such determination, the nature of the relationship and the reasons for that determination. A director appointed to the Nominating Committee pursuant to this exception may not serve for in excess of two years.
- (c) Each listed company must adopt a formal written charter or board resolution, as applicable, addressing the nominations process and such related matters as may be required under the federal securities laws.

IM-26804-1

Rule 26804 is not applicable to a controlled company (See Rule 26801(a)).

IM-26804-2

If a company is legally required by contract or otherwise to provide third parties with the ability to nominate and/or appoint directors (e.g., preferred ~~security token~~[Security](#) or stock rights to elect directors upon dividend default, shareholder agreements, management agreements), the selection and nomination of such directors is not subject to approval by the Nominating Committee or a majority of independent directors.

26805. Executive Compensation

- (a) Compensation of the chief executive officer of a listed company must be determined, or recommended to the Board for determination, either by a Compensation Committee

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may remain a member of the Compensation Committee until the earlier of the next annual shareholders' meeting of the listed company or one year from the occurrence of the event that caused the member to be no longer independent.

(3) Compensation Consultants

- i. The Compensation Committee may, in its sole discretion, retain or obtain the advice of a compensation consultant, independent legal counsel or other adviser.
- ii. The Compensation Committee shall be directly responsible for the appointment, compensation and oversight of the work of any compensation consultant, independent legal counsel or other adviser retained by the Compensation Committee.
- iii. The listed company must provide for appropriate funding, as determined by the Compensation Committee, for payment of reasonable compensation to a compensation consultant, independent legal counsel or any other adviser retained by the Compensation Committee.

(4) Compensation Consultant Independence. The Compensation Committee may select a compensation consultant, legal counsel or other adviser to the Compensation Committee only after taking into consideration all relevant factors, including the following:

- i. The provision of other services to the listed company by the person that employs the compensation consultant, legal counsel or other adviser;
- ii. The amount of fees received from the listed company by the person that employs the compensation consultant, legal counsel or other adviser, as a percentage of the total revenue of the person that employs the compensation consultant, legal counsel or other adviser;
- iii. The policies and procedures of the person that employs the compensation consultant, legal counsel or other adviser that are designed to prevent conflicts of interest;
- iv. Any business or personal relationship of the compensation consultant, legal counsel or other adviser with a member of the compensation committee;
- v. Any stock or ~~security token~~[Security](#) of the listed company owned by the compensation consultant, legal counsel or other adviser; and
- vi. Any business or personal relationship of the compensation consultant, legal counsel, other adviser or the person employing the adviser with an executive officer of the listed company.

(5) Transition Period for Companies Losing Their Smaller Reporting Company Status. Under Exchange Act Rule 12b-2, a company tests its status as a smaller

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Supplement.

Commentary: The CEO's annual certification regarding the Exchange's corporate governance listing standards will focus the CEO and senior management on the listed company's compliance with the listing standards.

- (b) Each listed company CEO must promptly notify the Exchange in writing after any executive officer of the listed company becomes aware of any non-compliance with any applicable provisions of this Rule 26800 Series.
- (c) Each listed company must submit an executed written affirmation of compliance with Rule 26800 Series of the BSTX Listing Standards annually to the Exchange. In addition, each listed company must promptly submit an interim written affirmation after becoming aware of any noncompliance with Rule 26800 Series of the BSTX Listing Standards or in the event of any change in the composition of its board of directors or the audit, compensation or nominating committees thereof. If the interim written affirmation relates to noncompliance with Rule 26800 Series of the BSTX Listing Standards and is being submitted to the Exchange to satisfy the notice requirement of Rule 26810(b), it must be signed by the company's CEO. Blank copies of the affirmation forms mentioned in this Rule 26810(c) will be included in the BSTX Listing Supplement.

26900 – Additional Matters**26901 – 26919. Reserved****26920. General Changes in Character of Business or Form or Nature of ~~Security Tokens~~Securities**

- (a) Change in form or nature of ~~security tokens~~Securities—A company is required to notify the Exchange, at least 20 days in advance, of any change in the form or nature of any listed ~~security token~~Security or in the rights, benefits and privileges of the holders of such ~~security token~~Security.
- (b) Change in general character of business—A company is required to notify the Exchange promptly (and confirm in writing) of any change in the general character or nature of its business. Obviously, such a change, if not previously made known to the public, would be a material development and a prompt public release would be required under the Exchange's timely disclosure policies (see Rules 26401-26405).

26921. Changes in Officers or Directors

A listed company is required to notify the Exchange promptly (and confirm in writing) of any changes of officers or directors.

26922. Disposition of Property or Stock

A listed company is required to notify the Exchange promptly in the event that it, or any company controlled by it, disposes of any property or any equity interest in any of its subsidiary

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or controlled companies, if such disposal will materially affect the financial position of the company or the nature or extent of its operations. As in the case of changes in character or nature of business, a material disposition would normally call for prompt public disclosure under the Exchange's timely disclosure policy. Where such disclosure has been made, the filing of three copies of the release containing the disclosure and the subsequent filing of Form 8-K, if required, will suffice to comply with Item 1b.

26923. Change in Collateral

A company is required to notify the Exchange promptly of any changes in, or removal of, collateral deposited under any mortgage or trust indenture under which ~~security tokens~~Securities of the company listed on the Exchange have been issued. This notice, if of material significance to investors, should also be reported through a public release under the Exchange's timely disclosure policy. If a change in collateral is not of sufficient materiality to call for a press release, such change should nevertheless be reported to the Exchange by letter which will be placed in a public file.

26924. Deposit of ~~Security Tokens~~Securities

A company is required to notify the Exchange promptly of any diminution in the supply of ~~security tokens~~Securities available for public trading occasioned by deposit of ~~security tokens~~Securities under voting trust or other deposit agreements. If knowledge of any actual or proposed deposits should come to the attention of any officer or director of the company, the Exchange should be notified immediately.

26925 – 26929. Reserved**26930. Change of Name**

A company proposing to change its name should:

- (a) Notify the Exchange of the record date and date of its shareholders' meeting at which the change in name will be considered, as soon as such dates have been established.
- (b) Furnish the Exchange with one copy of the meeting notice and five copies of the proxy-solicitation material at the time they are mailed to shareholders.
- (c) As soon as the change in name has been approved by shareholders, notify the Exchange of the time when the amendment to the charter will be filed and the change in name will become effective. Confirm this advice by letter.
- (d) Reserved
- (e) Notify the Exchange as soon as the amendment has actually been filed and confirm this advice by letter.

26931. Announcement of New Name

When the change in name becomes effective, the Exchange will notify its Participants of the new name and will advise them that, either on the date of its announcement or on the day after,

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transactions in the ~~security tokens~~Securities of the company will be recorded under its new name. If a substantial change in name is involved, a new ticker symbol may be designated for the company's ~~security tokens~~Securities.

26931 – 26939. Reserved**26940. Change in Par Value**

A company that changes the par value of a ~~security token~~Security issue listed on the Exchange, without an increase or decrease in the number of ~~security tokens~~Securities listed, is required to follow the procedures and file the papers specified below:

NOTE: If the change in par value affects the number of ~~security tokens~~Securities listed, an additional listing application is necessary.

- (a) File two preliminary copies of proxy soliciting material to be issued to shareholders in connection with the meeting to consider the charter amendment.
- (b) Furnish the Exchange with: (i) ten days' notice in advance of the taking of the record of shareholders entitled to notice of and to vote at the meeting; and (ii) six copies of all final printed notices, circulars or proxy statements issued to shareholders in connection with the meeting, at the time they are mailed to shareholders.
- (c) When the change in par value becomes effective by the filing of the charter amendment with the Secretary of State, it is important that the Exchange substitute the new par value shares for the previously listed shares without any interruption of trading. This is accomplished by notifying the Exchange: (i) in advance of the date when it is proposed to file the charter amendment, and (ii) immediately upon its filing.

26941 –26959. Reserved**26960. Special Margin Requirements**

The Exchange may, from time to time, prescribe higher initial margin requirements in respect of particular ~~security tokens~~Securities dealt in on the Exchange than the margin requirements generally in effect. Such higher margin requirements are imposed whenever in the opinion of the Exchange a particular ~~security token~~Security is subject to possible excessive speculative interest. Such requirements do not constitute a rating or evaluation by the Exchange of the merits of the ~~security token~~Security subject hereto.

~~Security tokens~~Securities placed on special margin are reviewed weekly, and are removed from special margin requirements whenever it appears that possibly excessive speculative interest no longer exists.

26961 – 26969. Reserved

EXHIBIT 4**26970. Reverse Split Policy – Exchange Recommendation**

The Exchange may recommend to the management of a company, whose ~~security token~~Security sells at a low price per ~~security token~~Security for a substantial period of time, that it submit to its shareholders a proposal providing for a combination (“reverse split”) of such ~~security tokens~~Securities.

26971-26989. Reserved**26990. Application of Requirements**

As indicated in Rule 26301, a company applying to list additional ~~security tokens~~Securities on BSTX is required to execute, if it has not already done so, the Exchange’s most recent form of agreement with listed companies.

26991. Interpretation of Requirements

The Board of Directors of the Exchange is authorized by the Exchange Rules to make and amend rules, requirements and policies governing listed companies. The Board is also authorized to delegate the administration of such requirements to the president or other officers or employees of the Exchange or to such committees as the Board may authorize.

26992. Opinions

The Exchange will, in appropriate cases, render opinions concerning interpretations of the requirements set forth in the BSTX Listing Requirements to companies on request. Such opinions are carefully considered by the Exchange, and normally require at least two weeks to process. Letters requesting such opinions should fully set forth the facts and circumstances leading to the request.

26993. Review

If a company disagrees with an opinion rendered by the staff, the Exchange may, where the opinion covers a novel or unusual question, or relates to a matter not specifically covered in the BSTX Listing Requirements or the rules, regulations and policies of the Exchange, arrange for the question to be reviewed by a committee of Exchange Officials. It normally takes approximately three weeks to process such a review. With the Exchange’s consent, representatives of the company may appear at a meeting of the committee reviewing the matter.

26994. New Policies

Copies of new or revised rules, policies, or forms, adopted subsequent to the date of the adoption of the BSTX Listing Rules, will be distributed, following their adoption. Questions should be directed to the Exchange and further information is available on the Exchange’s website.

27000 – SUSPENSION AND DELISTING

EXHIBIT 4**27001. General**

In considering whether a ~~security token~~Security warrants continued trading and/or listing on BSTX, many factors are taken into account, such as the degree of investor interest in the company, its prospects for growth, the reputation of its management, the degree of commercial acceptance of its products, and whether its securities have suitable characteristics for trading on BSTX. Thus, any developments which substantially reduce the size of a company, the nature and scope of its operations, the value or amount of its securities available for the market, or the number of holders of its securities, may occasion a review of continued listing by the Exchange. Moreover, events such as the sale, destruction, loss or abandonment of a substantial portion of its business, the inability to continue its business, steps towards liquidation, or repurchase or redemption of its securities, may also give rise to such a review.

27002. Policies with Respect to Continued Listing

The Rules of the Exchange provides that the Board of Directors may, in its discretion, at any time, and without notice, suspend dealings in, or may remove any ~~security token~~Security from, listing or unlisted trading privileges.

The Exchange, as a matter of policy, will consider the suspension of trading in, or removal from listing or unlisted trading of, any ~~security token~~Security when, in the opinion of the Exchange:

- (a) the financial condition and/or operating results of the issuer appear to be unsatisfactory; or
- (b) it appears that the extent of public distribution or the aggregate market value of the ~~security token~~Security has become so reduced as to make further dealings on BSTX inadvisable; or
- (c) the issuer has sold or otherwise disposed of its principal operating assets, or has ceased to be an operating company; or
- (d) the issuer has failed to comply with its listing agreements with the Exchange; or
- (e) any other event shall occur or any condition shall exist which makes further dealings on BSTX unwarranted. (See Rule 26127)

27003. Application of Policies

The Exchange has adopted certain standards, outlined below, under which it will normally give consideration to suspending dealings in, or removing, a ~~security token~~Security from listing or unlisted trading. When an issuer falls below any of the continued listing standards, the Exchange will review the appropriateness of continued listing. The Exchange may give consideration to any action that an issuer proposes to take that would enable it to comply with the continued listing standards. The specific procedures and timelines regarding such proposals are set forth in Rule 27009. However, the standards set forth below in no way limit or restrict the Exchange in applying its policies regarding continued listing, and the Exchange may at any time, in view of the circumstances in each case, suspend dealings in, or remove, a ~~security token~~Security from listing or unlisted trading when in its opinion such ~~security token~~Security is unsuitable for

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continued trading on BSTX. Such action will be taken regardless of whether the issuer meets or fails to meet any or all of the standards discussed below.

(a) Financial Condition and/or Operating Results—The Exchange will normally consider suspending dealings in, or removing from the list, ~~security tokens~~Securities of an issuer which:

- (i) has ~~security token~~Security holders' equity of less than \$2,000,000 if such issuer has sustained losses from continuing operations and/or net losses in two of its three most recent fiscal years; or
- (ii) has ~~security token~~Security holders' equity of less than \$4,000,000 if such issuer has sustained losses from continuing operations and/or net losses in three of its four most recent fiscal years; or
- (iii) has ~~security token~~Security holders' equity of less than \$6,000,000 if such issuer has sustained losses from continuing operations and/or net losses in its five most recent fiscal years; or
- (iv) has sustained losses which are so substantial in relation to its overall operations or its existing financial resources, or its financial condition has become so impaired that it appears questionable, in the opinion of the Exchange, as to whether such issuer will be able to continue operations and/or meet its obligations as they mature.

However, the Exchange will not normally consider suspending dealings in, or removing from the list, the ~~security tokens~~Securities of an issuer which is below any of standards (i) through (iii) above if the issuer is in compliance with the following:

- (1) Total value of market capitalization * of at least \$50,000,000; or total assets and revenue of \$50,000,000 each in its last fiscal year, or in two of its last three fiscal years; and
- (2) The issuer has at least 1,100,000 ~~security tokens~~Securities publicly held, a market value of publicly held ~~security tokens~~Securities of at least \$15,000,000 and 400 round lot ~~security token~~Security holders.

Issuers falling below one of the above standards and considering a combination with an unlisted company should see Rule 26341 for the discussion of the Exchange's listing policies contained therein.

(b) Limited Distribution—Reduced Market Value—The Exchange will normally consider suspending dealings in, or removing from the list, a ~~security token~~Security when any one or more of the following conditions exist:

- (i) Equity Security-~~Token~~:

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- (A) if the number of ~~security tokens~~Securities publicly held (exclusive of holdings of officers, directors, controlling shareholders or other family or concentrated holdings) is less than 200,000; or
 - (B) if the total number of public ~~security token~~Security holders is less than 300; or
 - (C) if the aggregate market value of the ~~security tokens~~Securities publicly held is less than \$1,000,000 for more than 90 consecutive days.
- (ii) Security ~~Token~~ Warrants:
- (A) if the number of ~~security token~~Security warrants publicly held is less than 50,000;
- (iii) Preferred ~~Security Tokens~~Securities:
- (A) if the number of ~~security tokens~~Securities publicly held is less than 50,000; or
 - (B) if the aggregate market value of ~~security tokens~~Securities publicly held is less than \$1,000,000;
- (iv) Reserved
- (v) Closed-End Funds:
- (A) If the total market value of publicly held ~~security tokens~~Securities and net assets are each less than \$5,000,000 for more than 60 consecutive days; or
 - (B) It ceases to qualify as a closed-end fund under the Investment Company Act of 1940 (unless the resultant entity otherwise qualifies for listing).
- (c) Disposal of Assets—Reduction of Operations—The Exchange will normally consider suspending dealings in, or removing from the list, ~~security tokens~~Securities of an issuer whenever any of the following events shall occur:
- (i) If the issuer has sold or otherwise disposed of its principal operating assets or has ceased to be an operating company or has discontinued a substantial portion of its operations or business for any reason whatsoever, including, without limitation, such events as sale, lease, spin-off, distribution, foreclosure, discontinuance, abandonment, destruction, condemnation, seizure or expropriation. Where the issuer has substantially discontinued the business that it conducted at the time it was listed or admitted to trading, and has become engaged in ventures or promotions which have not developed to a commercial stage or the success of which is problematical, it shall not be considered an operating company for the purposes of continued trading and listing on BSTX.

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(ii) If liquidation of the issuer has been authorized. However, where such liquidation has been authorized by shareholders and the issuer is committed to proceed, the Exchange will normally continue trading until substantial liquidating distributions have been made.

(iii) If advice has been received, deemed by the Exchange to be authoritative, that the ~~security token~~Security is without value. In this connection, it should be noted that the Exchange does not pass judgment upon the value of any ~~security token~~Security.

(d) Failure to Comply with Listing Agreements and/or SEC Requirements—The ~~security tokens~~Securities of an issuer failing to comply with its listing or other agreements with the Exchange and/or SEC Requirements in any material respect (e.g., failure to distribute annual reports when due, failure to report interim earnings, failure to observe Exchange policies regarding timely disclosure of important corporate developments, failure to solicit proxies, issuance of additional ~~security tokens~~Securities of a listed class without prior listing thereof, failure to obtain shareholder approval of corporate action where required by Exchange policies, failure to provide requested information within a reasonable period of time or providing information that contains a material misrepresentation or omits material information necessary to make the communication to the Exchange not misleading, etc.) are subject to suspension from dealings and, unless prompt corrective action is taken, removal from listing.

(e) Reserved

(f) Other Events—The Exchange will normally consider suspending dealings in, or removing from the list, a ~~security token~~Security when any one of the following events shall occur:

(i) Registration No Longer Effective—If the registration (or exemption from registration thereof) pursuant to the Securities Exchange Act of 1934 is no longer effective.

(ii) Payment, Redemption or Retirement of Entire Class, Issue or Series—If the entire outstanding amount of a class, issue or series of ~~security tokens~~Securities is retired through payment at maturity or through redemption, reclassification or otherwise. In such event, the Exchange may, at a time which is appropriate under all the circumstances of the particular case, suspend dealings in the ~~security token~~Security and, in the case of a listed ~~security token~~Security, give notice to the SEC, on Form 25, of the Exchange's intention to remove such ~~security token~~Security from listing and registration as required by Rule 12d2-2(a) under the Securities Exchange Act of 1934.

(iii) Operations Contrary to Public Interest—If the issuer or its management shall engage in operations which, in the opinion of the Exchange, are contrary to the public interest.

(iv) Failure to Pay Listing Fees—If the issuer shall fail or refuse to pay, when due, any applicable listing fees established by the Exchange.

(v) Low Selling Price Issues—In the case of an equity ~~security token~~Security for a substantial period of time at a low price per ~~security token~~Security, if the issuer shall fail to effect a

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reverse split of such ~~security tokens~~Securities within a reasonable time after being notified that the Exchange deems such action to be appropriate under all the circumstances. In its review of the question of whether it deems a reverse split of a given issue to be appropriate, the Exchange will consider all pertinent factors including, market conditions in general, the number of ~~security tokens~~Securities outstanding, plans which may have been formulated by management, applicable regulations of the state or country of incorporation or of any governmental agency having jurisdiction over the issuer, the relationship to other Exchange policies regarding continued listing, and, in respect of securities of foreign issuers, the general practice in the country of origin of trading in low-selling price issues.

(g) Reserved

* Market capitalization for purposes of Rule 27003 includes the total Equity ~~security-token~~Security outstanding (excluding treasury ~~security tokens~~Securities) as well as any Equity-~~security tokens~~Securities that would be issued upon conversion of another outstanding ~~security-token~~Security, if such other ~~security-token~~Security is a “substantial equivalent” of Equity-~~security tokens~~Securities. Generally, the ~~security-token~~Security must be (1) publicly traded or quoted, or (2) convertible into a publicly traded or quoted ~~security-token~~Security. A convertible ~~security-token~~Security will be considered the “substantial equivalent” of Equity ~~security-tokens~~Securities if the convertible ~~security-token~~Security is presently convertible, and the conversion price is equal to or less than the current market price of the Equity ~~security-token~~Security. For partnerships, the current capital structure will be analyzed to determine whether it is appropriate to include other publicly traded or quoted ~~security tokens~~Securities in the calculation.

27004. Prospective Application of Delisting Policies

The Exchange’s delisting policies will be applied prospectively to companies which originally qualified for listing pursuant to Rule 26101(b).

27005 - 27006. Reserved**27007. SEC Annual and Quarterly Report Timely Filing Criteria***Occurrence of a Filing Delinquency*

For purposes of remaining listed on BSTX, a company will incur a late filing delinquency and be subject to the procedures set forth in this Rule 27007 on the date on which any of the following occurs:

- the company fails to file its annual report (Forms 10-K, 20-F, 40-F or N-CSR) or its quarterly report on Form 10-Q or semi-annual report on Form N-CSR (“Semi- Annual Form N-CSR”) with the SEC by the date such report was required to be filed by the applicable form, or if a Form 12b-25 was timely filed with the SEC, the extended filing due date for the annual report, Form 10-Q, or Semi-Annual Form NCSR for purposes of this Rule 21007, the later of these two dates, along with any Semi-Annual Report Filing Due Date as

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Subsequent Report may be delinquent or deficient on the date by which the initial Filing Delinquency is required to be cured.

Notification and Cure Periods

Upon the occurrence of a Filing Delinquency, the Exchange will promptly send written notification (the “Filing Delinquency Notification”) to a company of the procedures set forth below. Within five days of the date of the Filing Delinquency Notification, the company will be required to (a) contact the Exchange to discuss the status of the Delinquent Report and (b) issue a press release disclosing the occurrence of the Filing Delinquency, the reason for the Filing Delinquency and, if known, the anticipated date such Filing Delinquency will be cured via the filing or refiling of the applicable report, as the case may be. If the company has not issued the required press release within five days of the date of the Filing Delinquency Notification, the Exchange will issue a press release stating that the company has incurred a Filing Delinquency and providing a description thereof.

During the six-month period from the date of the Filing Delinquency (the “Initial Cure Period”), the Exchange will monitor the company and the status of the Delinquent Report and any Subsequent Reports, including through contact with the company, until the Filing Delinquency is cured. If the company fails to cure the Filing Delinquency within the Initial Cure Period, the Exchange may, in the Exchange’s sole discretion, allow the company’s ~~security tokens~~ Securities to be traded for up to an additional six-month period (the “Additional Cure Period”) depending on the company’s specific circumstances. If the Exchange determines that an Additional Cure Period is not appropriate, suspension and delisting procedures will commence in accordance with the procedures set out in Rule 27010 hereof. A company is not eligible to follow the procedures outlined in Rule 27009 with respect to these criteria. Notwithstanding the foregoing, however, the Exchange may in its sole discretion decide (i) not to afford a company any Initial Cure Period or Additional Cure Period, as the case may be, at all or (ii) at any time during the Initial Cure Period or Additional Cure Period, to truncate the Initial Cure Period or Additional Cure Period, as the case may be, and immediately commence suspension and delisting procedures if the company is subject to delisting pursuant to any other provision of the company Guide, including if the Exchange believes, in the Exchange’s sole discretion, that continued listing and trading of a company’s ~~security tokens~~ Securities on the Exchange is inadvisable or unwarranted in accordance with Rules 27001-27004 hereof. The Exchange may also commence suspension and delisting procedures without affording any cure period at all or at any time during the Initial Cure Period or Additional Cure Period if the Exchange believes, in the Exchange’s sole discretion, that it is advisable to do so on the basis of an analysis of all relevant factors, including but not limited to:

- whether there are allegations of financial fraud or other illegality in relation to the company’s financial reporting;
- the resignation or termination by the company of the company’s independent auditor due to a disagreement;

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- any extended delay in appointing a new independent auditor after a prior auditor's resignation or termination;
- the resignation of members of the company's audit committee or other directors;
- the resignation or termination of the company's chief executive officer, chief financial officer or other key senior executives;
- any evidence that it may be impossible for the company to cure its Filing Delinquency within the cure periods otherwise available under this rule; and
- any past history of late filings.

In determining whether an Additional Cure Period after the expiration of the Initial Cure Period is appropriate, the Exchange will consider the likelihood that the Delinquent Report and all Subsequent Reports can be filed or refiled, as applicable, during the Additional Cure Period, as well as the company's general financial status, based on information provided by a variety of sources, including the company, its audit committee, its outside auditors, the staff of the SEC and any other regulatory body. The Exchange strongly encourages companies to provide ongoing disclosure on the status of the Delinquent Report and any Subsequent Reports to the market through press releases, and will also take the frequency and detail of such information into account in determining whether an Additional Cure Period is appropriate. If the Exchange determines that an Additional Cure Period is appropriate and the company fails to file the Delinquent Report and all Subsequent Reports by the end of such Additional Cure Period, suspension and delisting procedures will commence immediately in accordance with the procedures set out in Rule 27010. In no event will the Exchange continue to trade a company's ~~security tokens~~ [Securities](#) if that company (i) has failed to cure its Filing Delinquency or (ii) is not current with all Subsequent Reports, on the date that is twelve months after the company's initial Filing Delinquency.

27008. Reserved**27009. Continued Listing Evaluation and Follow-up**

(a) The following procedures shall be applied by the Exchange to companies identified as being below the Exchange's continued listing policies and standards. Notwithstanding such procedures, when necessary or appropriate:

- (i) the Exchange may issue a Warning Letter to a company with respect to a minor violation of the Exchange's corporate governance or shareholder protection requirements (other than violations of the requirements pursuant to Rule 10A-3 under the Securities Exchange Act of 1934); or

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(ii) for the protection of investors, the Exchange may immediately suspend trading in any-~~security token~~Security, and make application to the SEC to delist the ~~security token~~Security and/or the Exchange may truncate the procedures specified in this Rule.

(b) Once the Exchange identifies, through internal reviews or notice (a press release, news story, company communication, etc.), a company as being below the continued listing criteria set forth in Rules 27001 through 27004 (and not able to otherwise qualify under an initial listing standard), the Exchange will notify the company by letter (a “Deficiency Letter”) of its status within 10 business days. The Deficiency Letter will also provide the company with an opportunity to provide the Exchange with a plan (the “Plan”) advising the Exchange of action the company has taken, or will take, that would bring it into compliance with the continued listing standards within 18 months of receipt of the Deficiency Letter. However, the Exchange may establish a time period of less than 18 months for a company to regain compliance with some or all of the continued listing standards if it determines that the nature and circumstances of the company’s particular continued listing status warrant such shorter period of time (see IM-27009-1). Within four business days after receipt of the Deficiency Letter, the company must contact the Exchange to confirm receipt of the notification, discuss any possible financial data of which the Exchange may be unaware, and indicate whether or not it plans to present a Plan; otherwise, delisting proceedings will commence.

(c) The company has 30 days from the receipt of the Deficiency Letter to submit its Plan to the Exchange for review. However, the Exchange may require submission of a company’s Plan within less than 30 days (but in no event less than seven days) if the Exchange has established a time period of 90 days or less for the company to regain compliance with some or all of the continued listing standards pursuant to paragraph (b) of this Rule. If it does not submit a Plan within the specified time period, delisting procedures will commence. The Plan must include specific milestones, quarterly financial projections, and details related to any strategic initiatives the company plans to complete. The Exchange will evaluate the Plan, including any additional documentation that supports the Plan, and make a determination as to whether the company has made reasonable demonstration in the Plan of an ability to regain compliance with the continued listing standards within the time period described in paragraph (b) of this Rule. The Exchange will make such determination within 45 days of receipt of the proposed Plan (or such shorter period of time as is consistent with the time period established by the Exchange for the company to regain compliance pursuant to paragraph (b) of this Rule), and will promptly notify the company of its determination in writing.

(d) If the Exchange does not accept the Plan, the Exchange will promptly initiate delisting proceedings. The company may appeal the Exchange’s determination not to accept the Plan, and request a review thereof, in accordance with Rule 27010 and Rule 27200 Series.

(e) If the Exchange accepts the Plan, the company must make a public announcement through the news media, within four business days from receipt of the notification thereof, disclosing that the Exchange has accepted the Plan, that the company’s listing is being continued pursuant to an exception, and the term of the extension (the “Plan Period”). The Exchange will review the company on a quarterly basis for compliance with the Plan. If the company does not show

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progress consistent with the Plan, the Exchange will review the circumstances and variance, and determine whether such variance warrants the commencement of delisting procedures. Should the Exchange determine to proceed with delisting proceedings, it may do so regardless of the company's continued listing status at that time.

(f) If, prior to the end of the Plan Period, the company is able to demonstrate compliance with the continued listing standards (or that it is able to qualify under an original listing standard) for a period of two consecutive quarters, the Exchange will deem the Plan Period over. If the company does not meet continued listing standards at the end of the Plan Period, the Exchange will promptly initiate delisting procedures.

(g) The company may appeal an Exchange determination, pursuant to paragraph (e) or (f), to initiate delisting proceedings, and request a review thereof, in accordance with Rule 27010 and the Rule 27200 Series.

(h) If the company, within 12 months of the end of the Plan Period (including any early termination of the Plan Period under the procedures described in paragraph (g)), is again determined to be below continued listing standards, the Exchange will examine the relationship between the two incidents of falling below continued listing standards and re-evaluate the company's method of financial recovery from the first incident. It will then take appropriate action, which, depending upon the circumstances, may include truncating the procedures described above or immediately initiating delisting proceedings.

(i) The provisions of this Rule are also applicable to the trading of ~~security tokens~~Securities admitted to unlisted trading privileges.

(j) An issuer that receives a Warning Letter pursuant to paragraph (a)(i) of this Rule and/or a Deficiency Letter pursuant to paragraph (b) of this Rule that it is below the continued listing criteria shall make a public announcement through the news media that it has received such Warning Letter and/or Deficiency Letter, and must include the specific policies and standards upon which the determination is based. Prior to the release of the public announcement, the issuer shall provide such announcement to the Exchange. The public announcement shall be made as promptly as possible, but not more than four business days following receipt of the Warning Letter or Deficiency Letter, as applicable.

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In determining whether to establish a time period of less than 18 months for a company to regain compliance with some or all of the continued listing standards, pursuant to paragraph (b), the Exchange will consider whether, in view of the nature and severity of the particular continued listing deficiency, including the investor protections concerns raised, 18 months would be an inappropriately long period of time to regain compliance. While it is not possible to enumerate all possible circumstances, the following is a non-exclusive list of the types of continued listing deficiencies that, based on the a particular listed company's unique situation, may result in imposition of a shorter time period: delinquencies with respect to SEC filing obligations, severe

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short-term liquidity and/or financial impairment, present or potential public interest concerns;¹ deficiencies with respect to the requisite distribution requirements that make the ~~security token~~Security unsuitable for trading on BSTX.

¹ Public interest concerns could include, for example, situations where the company, a corporate officer or affiliate is the subject of a criminal or regulatory investigation or action; or the company's auditors have resigned and withdrawn their most recent audit opinion raising concerns regarding the internal controls and financial reporting process. However, other situations not specifically enumerated could also raise public interest concerns regarding the appropriateness of a particular company's continued listing.

27010. Procedures for Delisting and Removal

(a) The action required to be taken by the Exchange to strike a class of ~~security tokens~~Securities from listing and registration following certain corporate actions (as specified in Rule 12d2-2(a) promulgated under the Securities Exchange Act of 1934), such as where the entire ~~security token~~Security class is matured, redeemed, retired or extinguished by operation of law is set forth in Rule 12d2-2(a) promulgated under the Securities Exchange Act.

(b) Whenever the Exchange determines, in accordance with Rule 27009 or otherwise, that a class of ~~security tokens~~Securities should be removed from listing (or unlisted trading) for reasons other than the reasons specified in paragraph (a), it will follow the procedures contained in Rule 27200 Series.

(c) Whenever the Exchange is authorized to file an application with the Securities and Exchange Commission on Form 25 to strike a class of ~~security tokens~~Securities from listing and registration for reasons other than certain corporate actions (as specified in Rule 12d2-2(a) promulgated under the Securities Exchange Act of 1934), the following procedures are applicable:

- (i) The Exchange will file an application with the Securities and Exchange Commission on Form 25, with a statement attached that sets forth the specific grounds on which the delisting is based, in accordance with Sections 19(d) and 6(d) of the Exchange Act, and will promptly deliver a copy of such form and attached statement to the issuer of the class of ~~security tokens~~Securities which is subject to delisting and deregistration. The Form 25 will be filed at least ten days prior to the date the delisting is anticipated to be effective.
- (ii) The Exchange will provide public notice of its final determination to strike the class of ~~security tokens~~Securities from listing by issuing a press release and posting notice on the Exchange's website at least ten days prior to the date that the delisting is anticipated to be effective. The posting will remain on the Exchange's website until the delisting is effective.
- (iii) The issuer of the class of ~~security tokens~~Securities which is subject to delisting must comply with all applicable reporting and disclosure obligations including, but not limited to,

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obligations mandated by the Exchange, state laws in effect in the state in which the issuer is incorporated, and the federal securities laws.

(d) An issuer may voluntarily withdraw its ~~security tokens~~Securities from listing and registration with the Exchange as permitted by and in accordance with Exchange Rule 18 and Rule 12d2-2 under the Securities Exchange Act of 1934.

(e) As required by Rule 12d2-2 under the Securities Exchange Act of 1934, upon receiving written notice from an issuer that such issuer has determined to withdraw a class of ~~security tokens~~Securities from listing on BSTX pursuant to paragraph (d), the Exchange will provide notice on its website of the issuer's intent to delist its ~~security tokens~~Securities beginning on the business day following such notice, which will remain posted on the Exchange's website until the delisting on Form 25 is effective.

27100 – Guide to Filing Requirements

27101. General

An issuer having a ~~security token~~Security listed on BSTX is required to file with the Exchange three (3) copies of all reports and other documents filed or required to be filed with the SEC. Listed issuers must comply with applicable SEC requirements with respect to the filing of reports and other documents through the SEC's Electronic Data Gathering Analysis and Retrieval ("EDGAR") system, and an issuer which submits such reports through EDGAR (as well as any reports which are permitted but not required to be submitted through EDGAR) will be deemed to have satisfied its filing requirement to the Exchange. A company that is not required to file reports with the SEC shall file with the Exchange three (3) copies of reports required to be filed with the appropriate regulatory authority. All required reports shall be filed with the Exchange on or before the date they are required to be filed with the SEC or appropriate regulatory authority.

The Exchange also requires that certain other submissions be made and notice be given to the Exchange on a timely basis, including but not limited to materials related to corporate actions (such as record dates and dividend and shareholder meeting notifications), additional listing applications and supporting materials, notices of changes in officers and directors, changes in the form or nature of securities or the general character of the business and all materials sent to shareholders or released to the press. Companies having a ~~security tokens~~Securities listed on BSTX are urged to consult the Exchange or appropriate BSTX Listing Requirement provisions in this regard. In particular, see Rule 27007 (SEC Annual and Quarterly Report Timely Filing Criteria).

27200 Procedures for Review of Exchange Listing Determinations

27201. Purpose and General Provisions

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(a) The purpose of the Rule 27200 Series is to provide procedures for the independent review of determinations that prohibit or limit the continued listing (or unlisted trading) of an issuer's ~~security tokens~~ Securities on BSTX based upon the Suspension and Delisting Policies set forth in the Rule 21000 Series (Rule 27001-27009).

(b) At each level of a proceeding under this Rule 27200 Series, a Listing Qualifications Panel (as defined in Rule 27204 below), the Committee for Review (as defined in Rule 27205 below) or the Exchange Board of Directors, as part of its respective review, may request additional information from the issuer. The issuer will be afforded an opportunity to address the significance of the information requested.

(c) At each level of a proceeding under this Rule 27200 Series, a Listing Qualifications Panel, the Committee for Review or the Exchange Board of Directors, as part of its respective review, may also consider the issuer's stock or ~~security token~~ Security price or any information that the issuer releases to the public, including any additional quantitative deficiencies or qualitative considerations reflected in the released information.

(d) At each level of a proceeding under the Rule 27200 Series, a Listing Qualifications Panel, the Committee for Review, or the Exchange Board of Directors, as part of its respective review, may consider any failure to meet any quantitative standard or qualitative consideration set forth in the Rule 27000 Series, including failures previously not considered in the proceeding. The issuer will be afforded notice of such consideration and an opportunity to respond.

(e) Although the Exchange has adopted certain standards under which it will normally give consideration to suspending dealings in, or removing, a ~~security token~~ Security from listing or unlisted trading, these standards in no way limit or restrict the Exchange in applying its policies regarding continued listing, and the Exchange may at any time, in view of the circumstances of each case, suspend dealings in, or file an application with the Securities and Exchange Commission on Form 25 to strike the class of ~~security tokens~~ Securities from listing or unlisted trading when in its opinion such ~~security token~~ Security is unsuitable for continued trading on BSTX. Such action will be taken in accordance with Rule 27010 regardless of whether the issuer meets or fails to meet any or all of the continued listing standards.

27202. Written Notice of Exchange Determination

(a) If the Exchange reaches a determination to limit or prohibit the continued listing of an issuer's ~~security tokens~~ Securities, it will notify the issuer in writing, describe the specific grounds for the determination, identify the quantitative standard(s) or qualitative consideration(s) set forth in Rule 27000 Series that the issuer has failed to satisfy, and provide notice that upon request the issuer will be provided an opportunity for a hearing under the procedures set forth in this Rule 27200 Series (the "Exchange Determination").

(b) An issuer that receives an Exchange Determination to prohibit the continued listing of the issuer's ~~security tokens~~ Securities under Rule 27202(a) shall make a public announcement through the news media that it has received such notice, including the specific policies and

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standards upon which the determination was based. Prior to the release of the public announcement, the issuer shall provide such announcement to the Exchange. The public announcement shall be made as promptly as possible, but not more than four business days following receipt of the Exchange Determination.

27203. Request for Hearing

(a) An issuer may, within seven calendar days of the date of the Exchange Determination, request either a written or oral hearing to review the Exchange Determination. Requests for hearings should be filed with the Exchange's Legal Department. An issuer must submit a hearing fee to the Exchange, to cover the cost of holding the hearing, as follows: (1) where consideration is on the basis of a written submission from the issuer, \$8,000 or (2) where consideration is on the basis of an oral hearing, whether in person or by telephone, \$10,000. No payment will be credited and applied towards the applicable hearing fee unless the issuer has previously paid all applicable listing fees due to the Exchange. The issuer will be deemed to have waived the opportunity to request a hearing, and a hearing will not be scheduled, unless the applicant has submitted such hearing fee and any unpaid listing fees due to the Exchange, in the form and manner prescribed by the Exchange, no later than seven calendar days of the date of the Exchange Determination. All hearings will be held before a Listing Qualifications Panel as described in Rule 27204. All hearings will be scheduled on a date and time determined by the Exchange's Legal Department, to the extent practicable, within 45 days of the date that the request for hearing is filed, at a location determined by the Exchange's Legal Department. The Exchange will make an acknowledgment of the issuer's hearing request stating the date, time, and location of the hearing, and the deadline for written submissions to the Listing Qualifications Panel. The issuer will be provided at least 10 calendar days notice of the hearing unless the issuer waives such notice.

(b) The issuer may file a written submission with the Exchange's Legal Department stating the specific grounds for the issuer's contention that the Exchange's determination was in error and/or requesting an extension of time to comply with the continued listing standards as permitted by Rule 27009. The issuer may also submit any documents or other written material in support of its request for review, including any information not available at the time of the Exchange Determination.

(c) A request for a hearing will ordinarily stay a delisting action pursuant to an Exchange Determination to prohibit the continued listing of an issuer's ~~security tokens~~Securities in accordance with Rule 27204(d), but the Exchange may immediately suspend trading in any-~~security token or security tokens~~Security or Securities pending review should it determine that such immediate suspension is necessary or appropriate in the public interest, for the protection of investors, or to promote just and equitable principles of trade. If the issuer does not request a review and pay the requisite fee, within the time period specified in paragraph (a) of this Section, the Exchange shall suspend trading in the ~~security token or security tokens~~Security or Securities when such time period has elapsed and the Exchange staff shall file an application with the Securities and Exchange Commission on Form 25 to strike the class of ~~security tokens~~Securities

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from listing and registration in accordance with Section 12 of the Securities Exchange Act of 1934 and the rules promulgated thereunder and in accordance with Rule 27010.

27204. The Listing Qualifications Panel

(a) All hearings will be conducted before a Listing Qualifications Panel (“Panel”) comprised of at least two members of the Committee for Review. No person shall serve as a Panel member for a matter if his or her interest or the interests of any person in whom he or she is directly or indirectly interested will be substantially affected by the outcome of the matter. In the event of a tie vote among the panel members, the matter will be forwarded to the full Committee for Review for review pursuant to Rule 27205.

(b) Prior to the hearing, the Panel will review the written record, as defined in Rule 27207. At the hearing, the issuer may make such presentation as it deems appropriate, including the appearance by its officers, directors, accountants, counsel, investment bankers, or other persons. Hearings are generally scheduled for thirty minutes, but may be extended at the discretion of the Panel. The Panel may question any representative of the issuer appearing at the hearing. A transcript of oral hearings will be kept. The record of proceedings before the Panel will be kept by the Exchange’s Legal Department.

(c) After the hearing, the Panel will issue a written decision (the “Panel Decision”) describing the specific grounds for its determination and identifying any quantitative standard or qualitative consideration set forth in the Rule 27000 Series that the issuer has failed to satisfy, including, if applicable, the basis for its determination that the issuer’s ~~security tokens~~Securities should continue to be listed as permitted by Rule 27009 or that the Exchange Determination was in error. The Panel Decision will be promptly provided to the issuer and is effective immediately unless it specifies to the contrary, or as provided in paragraph (d) of this Section. The Panel Decision will provide notice that the issuer may request review of the Panel Decision by the Committee for Review within 15 calendar days of the date of the Panel Decision and that any such Committee for Review Decision may be called for review by the Exchange Board of Directors not later than the next Exchange Board meeting that is 15 calendar days or more following the date of the Committee for Review Decision pursuant to Rule 27206.

(d) If the Panel Decision provides that the issuer’s ~~security token or tokens~~Security or Securities should be delisted, the Exchange will suspend trading in such ~~security tokens~~Securities as soon as practicable and initiate the delisting process in accordance with Rule 27010.

27205. Review By the Exchange Committee for Review

(a) The Committee for Review is defined in Section ~~{6.07}~~ of the Exchange’s by-laws.

(b) The issuer may initiate the Committee for Review’s review of any Panel Decision by making a written request within 15 calendar days of the date of the decision. Requests for review should be addressed to the Committee for Review in care of the Exchange’s Legal Department. If the issuer requests review of the Panel Decision, the issuer must submit a fee of \$10,000 to the Exchange to cover the cost of the review by the Committee for Review. No payment will be

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credited and applied towards the applicable hearing fee unless the issuer has previously paid all applicable listing fees due to the Exchange. The issuer will be deemed to have waived the opportunity for review, and a review will not be commenced, unless the issuer has submitted the hearing fee and any unpaid listing fees due to the Exchange, in the form and manner prescribed by the Exchange, within 15 calendar days of the date of the Panel Decision.

Upon receipt of the request for review, the Exchange's Legal Department will make an acknowledgment of the issuer's request stating the deadline for the issuer to provide any written submissions.

(c) The Committee for Review may authorize the continued listing of the issuer's ~~security-tokens~~Securities if it determines that such ~~security-tokens~~Securities should continue to be listed as permitted by Rule 27009 or the Panel Decision was in error.

(d) The Committee for Review will consider the written record and, in its discretion, hold additional hearings. Any hearing will be scheduled, to the extent practicable, within 45 days of the date that a request for review initiated by the issuer is made. The Committee for Review may also recommend that the Exchange Board of Directors consider the matter. The record of proceedings before the Committee for Review will be kept by the Exchange's Legal Department.

(e) The Committee for Review will issue a written decision (the "Committee for Review Decision") that affirms, modifies, or reverses the Panel Decision or that refers the matter to the Exchange staff or to the Panel for further consideration. The Committee for Review will describe the specific grounds for the decision, identify any quantitative standard or qualitative consideration set forth in the Rule 27000 Series that the applicant has failed to satisfy, including, if applicable, the basis for its determination that the issuer's securities should continue to be listed as permitted by Rule 27009 or the Panel Decision was in error, and provide notice that the Exchange Board of Directors may call the Committee for Review Decision for review at any time before its next meeting that is at least 15 calendar days following the issuance of the Committee for Review Decision. The Committee for Review Decision will be promptly provided to the issuer and will take immediate effect unless it specifies to the contrary, or as provided in Rule 27205(f).

(f) If the Committee for Review Decision reverses the Panel Decision and provides that the issuer's ~~security token or tokens~~Security or Securities should not be delisted, and such ~~security token or tokens~~Security or Securities have been suspended pursuant to Rule 27204(d), such suspension shall continue until either the Committee for Review Decision represents final action of the Exchange as specified in Rule 27206(d) or in accordance with a discretionary review by the Exchange Board of Directors pursuant to Rule 27206.

(g) If the issuer does not request a review, and pay the requisite fee, within the time period specified in paragraph (b) of this Rule, by the Committee for Review of a Panel Decision which provided that the issuer's ~~security token(s)~~Security (or Securities) should be delisted, when such time period has elapsed, the Exchange will suspend trading in such ~~security token(s)~~Security (or Securities), if it has not already done so pursuant to Rule 27204(d), and file an application with

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the Securities and Exchange Commission on Form 25 to strike the class of ~~security tokens~~Securities from listing and registration in accordance with the Rule 27200 Series of the Securities Exchange Act of 1934 and the rules promulgated thereunder and in accordance with Rule 27010.

27206. Discretionary Review by Board of Directors

(a) A Committee for Review Decision may be called for review by the Exchange Board of Directors solely upon the request of one or more Directors not later than the next Exchange Board of Directors meeting that is 15 calendar days or more following the date of the Committee for Review Decision. Such review will be undertaken solely at the discretion of the Exchange Board of Directors. The institution of discretionary review by the Exchange Board of Directors will not operate as a stay of the Committee for Review Decision. At the sole discretion of the Exchange Board of Directors, the call for review of a Committee for Review Decision may be withdrawn at any time prior to the issuance of a decision.

(b) If the Exchange Board of Directors conducts a discretionary review, the review generally will be based on the written record considered by the Committee for Review. The Exchange Board of Directors will be provided with the documents in the Record on Review as specified in Rule 27207, except for the issuer's public filings and information released to the public by the issuer, which will be available on request from the Exchange's Legal Department. However, the Exchange Board of Directors may, at its discretion, request and consider additional information from the issuer and/or from the Exchange staff. Should the Exchange Board of Directors consider additional information, the record of proceedings before the Exchange Board of Directors will be kept by the Exchange's Legal Department.

(c) The Exchange Board of Directors may authorize the applicant's ~~security tokens~~Securities for continued listing if it determines that the issuer's ~~security tokens~~Securities should continue to be listed as permitted by Rule 27009 or the Committee for Review Decision was in error.

(d) If the Exchange Board of Directors conducts a discretionary review, the issuer will be provided with a written decision describing the specific grounds for its decision, and identifying any quantitative standard or qualitative consideration set forth in the Rule 27000 Series that the issuer has failed to satisfy, including, if applicable, the basis for its determination that the issuer's ~~security tokens~~Securities should continue to be listed as permitted by Rule 27009 or that the Committee for Review Decision was in error. The Board may affirm, modify or reverse the Committee for Review Decision and may remand the matter to the Committee for Review for Panel or Exchange staff with appropriate instructions. The decision represents the final action of the Exchange and will take immediate effect unless it specifies to the contrary. If the Board Decision provides that the issuer's ~~security token(s)~~Security (or Securities) should be delisted, the Exchange will suspend trading in such ~~security token(s)~~Security (or Securities) on BSTX as soon as practicable, if it has not already done so pursuant to Rule 27204(d), and the Exchange staff will file an application with the Securities and Exchange Commission on Form 25 to strike the class of ~~security tokens~~Securities from listing and registration in accordance with Section 12

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of the Securities Exchange Act of 1934 and the rules promulgated thereunder and in accordance with Rule 27010.

(e) If the Exchange Board of Directors declines to conduct a discretionary review or withdraws its call for review, the issuer will be promptly provided with written notice that the Committee for Review Decision represents the final action of the Exchange. If the Committee for Review Decision provides that the issuer's ~~security token or tokens~~ Security or Securities should be delisted, upon the expiration of the time period specified in paragraph (a) of this Section, or upon the Exchange Board of Directors' determination to withdraw a call for review, the Exchange will suspend trading in such ~~security token or tokens~~ Security or Securities as soon as practicable, if it has not already done so pursuant to Rule 27204(d), and the Exchange staff will file an application with the Securities and Exchange Commission on Form 25 to strike the class of ~~security tokens~~ Securities from listing and registration in accordance with Section 12 of the Securities Exchange Act of 1934 and the rules promulgated thereunder and in accordance with Rule 27010.

(f) Any issuer aggrieved by a final action of the Exchange may make application for review to the Commission in accordance with Section 19 of the Securities Exchange Act of 1934.

27207. Record on Review

(a) Documents in the written record may consist of the following items, as applicable: correspondence between the Exchange and the issuer, the issuer's public filings, information released to the public by the issuer, and any written submissions or exhibits submitted by either the issuer, or the Exchange's listing department, including any written request for listing approval pursuant to Rule 27203(c) or continued listing pursuant to Rule 27009 and any response thereto. Any additional information requested from the issuer by the Panel, the Exchange Board of Directors, or any other unit of the Exchange such as the Committee for Review, as part of the review process will be included in the written record. The written record will be supplemented by the transcript of any oral hearings held during the review process and each decision issued. At each level of review under this Rule 27200 Series, the issuer will be provided with a list of documents in the written record, and a copy of any documents included in the record that are not in the issuer's possession or control, at least three calendar days in advance of the deadline for the issuer's submissions, unless the applicant waives such production.

(b) In addition to the documents described in paragraph (a) above, if the issuer's ~~security token~~ Security price or any information that the issuer releases to the public is considered as permitted in Rule 27201(c), that information, and any written submission addressing the significance of that information, will be made part of the record.

(c) If additional issues arising under the Rule 26100 Series or the Rule 27000 Series are considered, as permitted in Rule 27201, the notice of such consideration and any response to such notice will be made a part of the record.

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BSTX Rulebook

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EXHIBIT 5A**17000 – GENERAL PROVISIONS OF BSTX****17000. Definitions**

(a) With respect to the Rules contained in Rule 17000 Series to Rule 28000 Series below, relating to the listing and trading of Securities on the Exchange, the following terms shall have the meanings specified in this Rule. A term defined elsewhere in the Exchange Rules shall have the same meaning with respect to this Rule 17000 Series, unless otherwise defined below.

- (1) The term “**Act**” or “**Exchange Act**” means the Securities Exchange Act of 1934, as amended.
- (2) The term “**adverse action**” means any action taken by the Exchange which affects adversely the rights of any Participant, applicant for membership, or any person associated with a Participant (including the denial of membership and the barring of any person from becoming associated with a Participant) and any prohibition or limitation by the Exchange imposed on any person with respect to access to services offered by the Exchange, or a Participant thereof. This term does not include disciplinary actions for violations of any provision of the Act or the rules and regulations promulgated thereunder, or any provision of the By-Laws or Exchange Rules or any interpretation thereof or resolution or order of the Board or appropriate Exchange committee which has been filed with the Commission pursuant to Section 19(b) of the Act and has become effective thereunder. Review of disciplinary actions is provided for in the Rule 12000 Series of the Exchange Rules.
- (3) The term “**Affiliate**” means, with respect to any Person, any other Person controlling, controlled by or under common control with, such Person. As used in this definition, the term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise with respect to such Person. A Person is presumed to control any other Person, if that Person: (i) is a director, general partner, or officer exercising executive responsibility (or having similar status or performing similar functions); (ii) directly or indirectly has the right to vote 25 percent or more of a class of voting security or has the power to sell or direct the sale of 25 percent or more of a class of voting securities of the Person; or (iii) in the case of a partnership, has contributed, or has the right to receive upon dissolution, 25 percent or more of the capital of the partnership.
- (4) The term “**approved person**” means a person (excluding a member, principal executive or employee of a Participant, or governmental entity) who controls a Participant, is engaged in a securities or kindred business that is controlled by a Participant or a Participant’s affiliates, or is a U.S. registered broker-dealer under common control with a Participant. “Governmental entity” means a sovereign nation, state, or territory, or other political subdivision, agency, or instrumentality

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thereof.

- (5) The term “**associated person**” or “**person associated with a Participant**” or “**person associated with a BSTX Participant**” means any partner, officer, director, or branch manager of such Participant (or any person occupying a similar status or performing similar functions), any person directly or indirectly controlling, controlled by, or under common control with such Participant or any employee of such Participant, except that any person associated with a Participant whose functions are solely clerical or ministerial shall not be included in the meaning of such term for purposes of these Rules.
- (6) The term “**bid**” means a limit order to buy one or more Securities.
- (7) The term “**broker**” shall have the same meaning as in Section 3(a)(4) of the Act.
- (8) The term “**BSTX**” means the facility of the Exchange for executing transactions in Securities
- (9) The term “**BSTX Book**” means the electronic book of orders on each Security maintained by the BSTX System.
- (10) The term “**BSTX Operations Center**” refers to the provider of market support for Participants trading on BSTX during the trading day.
- (11) The term “**BSTX Participant**” is a Participant or Options Participant (as defined in the Rule 100 Series) that is authorized to trade Securities on the Exchange.
- (12) The term “**BSTX Participation Agreement**” means the agreement to be executed by BSTX Participants to qualify to participate in trading on the BSTX System.
- (13) The term “**BSTX Regulation Center**” means the Exchange’s based facilities in which, pursuant to procedures established by the Board, Exchange Officials and personnel shall monitor, conduct surveillance of, and regulate the conduct of Security business on BSTX, in order to ensure the maintenance of a fair and orderly market.
- (14) The term “**BSTX System**” means the automated trading system used by BSTX for the trading of Securities.
- (15) The term “**Commission**” means the Securities and Exchange Commission.
- (16) The term “**customer**” shall not include a broker or dealer.
- (17) The term “**dealer**” shall have the same meaning as in Section 3(a)(5) of the Act.
- (18) The term “**designated self-regulatory organization**” means a self-regulatory organization, other than the Exchange, designated by the Commission under Section 17(d) of the Act to enforce compliance by BSTX Participants with Exchange Rules.
- (19) The term “**Designated Market Maker**” or “**DMM**” refers to a BSTX Participant

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registered as a DMM pursuant to the Rule 25200 Series.

- (20) The term “**Exchange**” or “**BOX**” means BOX Exchange LLC and its facilities.
- (21) The terms “**FINRA**” or “**NASD**” mean, collectively, Financial Industry Regulatory Authority and its subsidiaries.
- (22) The term “**Market Maker**” means a BSTX Participant that acts as a Market Maker pursuant to Rule 25200 Series.
- (23) NBB, NBO, and NBBO: The term “**NBB**” shall mean the national best bid, the term “**NBO**” shall mean the national best offer, and the term “**NBBO**” shall mean the national best bid or offer, as set forth in Rule 600(b) of Regulation NMS under the Exchange Act.
- (24) The term “**offer**” means a limit order to sell one or more Securities.
- (25) The term “**order**” means a firm commitment to buy or sell a Security.
- (26) The term “**person**” means any natural person, company, government, or political subdivision, agency, or instrumentality of a government.
- (27) The term “**Pre-Opening Phase**” means the time between 8:30 a.m. and 9:30 a.m. Eastern Time.
- (28) The term “**Regular Trading Hours**” means the time between 9:30 a.m. and 4:00 p.m. Eastern Time.
- (29) The term “**Rules**” means the Exchange By-Laws, the Exchange LLC Agreement, and these Rules of the Exchange, including the Rule 100 to Rule 16000 Series.
- (30) The term “**Security**” means a NMS stock, as defined in Rule 600(b)(47) of the Exchange Act, trading on the BSTX System and for which ancillary Ethereum blockchain records are maintained under these Rules. References to a “security” or “securities” in the Rules may include Securities, as the context requires.
- (31) The term “**Wallet Manager**” means a party approved by BSTX to operate software compatible with the BSTX Protocol.

17010 Applicability

- (a) The Rules contained in Rule 17000 Series to Rule 28000 Series herein are the Exchange Rules applicable to the trading of Securities by BSTX Participants approved for such trading, the listing of Securities, and other matters relating to trading Securities.
- (b) Except to the extent that specific Rules relating to Securities govern or unless the context otherwise requires, the provisions of the Exchange Rules shall be applicable to BSTX Participants and to the trading of Securities on the BSTX System and, for purposes of their application with respect to BSTX Participants and Security trading shall be interpreted in light of the nature of equities trading and the BSTX System, and the fact that Securities on the BSTX System shall be traded electronically. To the extent that the

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provisions of the Rules relating to the trading of Securities contained in Rule 17000 Series to Rule 28000 Series are inconsistent with any other provisions of the Exchange Rules, the Rules relating to Security trading shall control.

17020. Whitelisting and Reporting of End-of-Day Security Balances

- (a) *Address Whitelisting.* To facilitate the recording of information related to the ownership of Securities as an ancillary recordkeeping mechanism using distributed ledger technology, each BSTX Participant, either directly or through its carrying firm acting on its behalf, must, by contacting BSTX, establish a wallet address to which its end-of-day Security balances may be recorded. A BSTX Participant must obtain a wallet address under this requirement not later than five (5) business days after the Exchange provides notice of approval of its application for participation in Rule 18000(c).
- (b) *Reporting End-of-Day Security Balances.* To facilitate recording ownership of Securities as an ancillary recordkeeping mechanism using distributed ledger technology, each BSTX Participant, either directly or through its carrying firm, must report each business day to BSTX, in a manner and form acceptable to BSTX, as follows:
- (1) For a BSTX Participant that is a participant in the securities depository registered as a clearing agency pursuant to Section 17A of the Exchange Act, the total number of Securities for each class of Security that are credited to each account of the BSTX Participant at the securities depository; or
 - (2) For a BSTX Participant that is not a participant in the securities depository, the total number of Securities for each class of Security that are credited to the BSTX Participant by its carrying firm.
- (c) *Timing for Reporting of End-of-Day Security Balances.* Reporting end-of-day Security balances to BSTX must be performed each business day when the securities depository is also open for business after such time as the securities depository has completed its end-of-day settlement process, with the exact time set forth by the Exchange via regulatory circular.
- (d) *Updating Security Balances.* Upon receipt of end-of-day Security position balance information from BSTX Participants and carrying firms of BSTX Participants, as applicable, BSTX will provide such information to the Wallet Manager(s) for the Wallet Manager(s) to update the Ethereum blockchain as an ancillary recordkeeping mechanism to reflect, in tokenized form, updates in Security position balances. Any difference between the Security position balance(s) reported to BSTX regarding a Security and the number of shares outstanding for the Security, as determined by BSTX, will be provided to the Wallet Manager(s) for allocation to an omnibus wallet address for such Security.
- (e) *Measures to Ensure Accuracy of End-of-Day Security Balance Reports.*
- (1) A BSTX Participant shall promptly send a corrected end-of-day Security balance report to the Exchange upon the BSTX Participant's discovery that it submitted an inaccurate end-of-day report that has not already been corrected or superseded.

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- (2) If the Exchange has reason to believe that balances reported by one or more BSTX Participants may be inaccurate, the Exchange may request additional information regarding the applicable reports and balances from any BSTX Participant. A BSTX Participant shall promptly respond to any additional information requests that the Exchange may make regarding its end-of-day Security balance reports.
- (f) *Suspension of Requirements Regarding Whitelisting and Reporting of End-of-Day Security Balances.* The Exchange may suspend the requirements in paragraphs (a) through (d) above regarding any BSTX Participant and/or regarding one or more Securities, as applicable, in its discretion and in any such case the Exchange will provide prompt notice thereof and the reason(s) therefore to BSTX Participants. The Exchange will notify the Commission within two hours of its determination to make any such suspension and the suspension may continue in effect for no more than thirty calendar days from the date the determination is made unless the Exchange has submitted a proposed rule change with the Commission seeking approval of such suspension, in which case the suspension may continue in effect until the Commission approves or disapproves the proposed rule change.

18000 – PARTICIPATION ON BSTX**18000 BSTX Participation**

- (a) These Rules establish a new category of Exchange member participation called “BSTX Participant.” Only BSTX Participants may transact business on the BSTX System. BSTX Participants may trade Securities for their own proprietary accounts or, if authorized to do so under applicable law, and consistent with these Rules and with applicable law and SEC rules and regulations, may conduct business on behalf of customers.
- (b) A prospective BSTX Participant must:
- (1) Complete a BSTX Participant Application, BSTX Participant Agreement, and BSTX User Agreement in the form prescribed by the Exchange;
 - (2) Be an existing Participant or Options Participant or become a Participant or Options Participant of the Exchange, pursuant to the Rule 2000 Series, and continue to abide by all applicable requirements of the Rule 2000 Series;
 - (3) Provide such other information as required by the Exchange.
- (c) Upon completion of the application, the Exchange, or person(s) designated by the Exchange (“designee”) shall consider whether to approve the application, unless there is just cause for delay. In its consideration process, the Exchange may conduct such investigation as it deems appropriate and may take such steps as it deems necessary to confirm the information provided by the applicant. Within thirty (30) days after the Exchange or its designee has completed its consideration of an application, it shall

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provide written notice of the action of the Exchange, specifying in the case of disapproval of an application the grounds therefore.

- (d) BSTX Participant status cannot be leased or transferred except in the event of a change in control or corporate reorganization involving a BSTX Participant. In such a case, BSTX Participant status may be transferred to a qualified affiliate or successor upon written notice to the Exchange or its designee.

18010. Requirements for BSTX Participants

- (a) *Organization.* BSTX Participants may be corporations, partnerships, limited liability companies or sole proprietorships organized under the laws of a jurisdiction of the United States, or such other jurisdictions as the Exchange may approve.
- (b) *General Requirements.* No registered broker or dealer shall be admitted as, or be entitled to continue as, a BSTX Participant if such broker or dealer:
 - (1) fails to comply with either the financial responsibility requirements established by Rule 15c3-1 under the Act, or such other financial responsibility and operational capability requirements as may be established by the Rules;
 - (2) fails to adhere to Rules relating to the maintenance of books and records or those rules of other self-regulatory organizations of which such broker or dealer is or was a member/participant;
 - (3) fails to demonstrate to the Exchange adequate systems capability, capacity, integrity, and security necessary to conduct business on the Exchange;
 - (4) is not a member/participant of a registered clearing agency, or does not clear Security transactions executed on the Exchange through another BSTX Participant that is a member/participant of a registered clearing agency;
 - (5) is subject to any unsatisfied liens, judgments, or unsubordinated creditor claims of a material nature, which, in the absence of a reasonable explanation therefor, remain outstanding for more than six months;
 - (6) has been subject to any bankruptcy proceeding, receivership, or arrangement for the benefit of creditors within the past three years; or
 - (7) has engaged in an established pattern of failure to pay just debts or has defaulted, without a reasonable explanation, on an obligation to a self-regulatory organization, or any member/participant of a self-regulatory organization

18020. Persons Associated with BSTX Participants

Associated persons of a BSTX Participant shall be bound by the Exchange Rules. The Exchange may discipline, suspend or terminate the registration with the Exchange of any person associated with a BSTX Participant for violation of the Rules of the Exchange.

EXHIBIT 5A**19000 – BUSINESS CONDUCT FOR BSTX PARTICIPANTS****19000. Just and Equitable Principles of Trade**

No BSTX Participant shall engage in acts or practices inconsistent with just and equitable principles of trade. Persons associated with Participants shall have the same duties and obligations as Participants under this Rule 19000 Series.

19010. Adherence to Law

No BSTX Participant shall engage in conduct in violation of the Rules, the Exchange Act or the rules or regulations thereunder, or any policy or written interpretation of the Rules by the Board or an appropriate Board committee. Every BSTX Participant shall so supervise persons associated with the BSTX Participant as to assure compliance with those requirements.

19020. Use of Fraudulent Devices

No BSTX Participant shall effect any transaction in, or induce the purchase or sale of, any security by means of any manipulative, deceptive, or other fraudulent device or contrivance.

19030. False Statements

No BSTX Participant or applicant for membership, or person associated with a BSTX Participant or applicant for membership, shall make any false statements or misrepresentations in any application, report or other communication to the Exchange. No BSTX Participant or person associated with a BSTX Participant shall make any false statement or misrepresentation to any Exchange committee, officer, the Board or the BSTX Participant's designated examining authority pursuant to Section 17(d) of the Exchange Act in connection with any matter within the jurisdiction of the Exchange.

19040. Know Your Customer

BSTX Participants shall comply with FINRA Rule 2090 as if such rule were part of the Exchange Rules.

19050. Fair Dealing with Customers

All BSTX Participants have a fundamental responsibility for fair dealing with their customers. BSTX Participants who handle customer orders on the Exchange shall establish and enforce objective standards to ensure queuing and executing of customer orders in a fair and equitable manner. Practices that do not represent fair dealing include, but are not limited to, the following:

- (a) Recommending speculative securities to customers without knowledge of or an attempt to obtain information concerning the customers' other securities holdings, their financial situation, and other necessary data. This prohibition has particular

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- application to high pressure telephonic sales campaigns;
- (b) Excessive activity in customer accounts (churning or overtrading) in relation to the objectives and financial situation of the customer;
 - (c) Establishment of fictitious accounts in order to execute transactions which otherwise would be prohibited or which are contrary to the BSTX Participant's policies;
 - (d) Causing the execution of transactions which are unauthorized by customers or the sending of confirmations in order to cause customers to accept transactions not actually agreed upon;
 - (e) Unauthorized use or borrowing of customer funds or securities; and
 - (f) Recommending the purchase of securities or the continuing purchase of securities in amounts which are inconsistent with the reasonable expectation that the customer has the financial ability to meet such a commitment.

19060. Suitability

- (a) BSTX Participants and associated persons of BSTX Participants shall comply with FINRA Rule 2111 as if such rule were part of the Exchange Rules.
- (b) For purposes of this Exchange Rule:
 - (1) References to FINRA Rules 2111 and 4512 shall be construed as references to Exchange Rules 19060 and 20040, respectively;
 - (2) References to "FINRA's rules" shall be construed as references to "Exchange Rules";
 - (3) References to FINRA Rule 2214 shall be disregarded, and no comparable Exchange Rule shall apply to activities of BSTX Participants in connection with investment analysis tools.

19070. The Prompt Receipt and Delivery of Securities

No BSTX Participant may accept a customer's purchase order for any security until it has first ascertained that the customer placing the order or its agent agrees to receive securities against payment in an amount equal to any execution, even though such an execution may represent the purchase of only a part of a larger order.

19080. Charges for Services Performed

Charges, if any, for services performed, including, but not limited to, miscellaneous services such as collection of monies due for principal, dividends, or interest; exchange or transfer of securities; appraisals, safe-keeping or custody of securities, and other services shall be reasonable and not unfairly discriminatory among customers.

EXHIBIT 5A**19090. Use of Information Obtained in Fiduciary Capacity**

A BSTX Participant who, in the capacity of paying agent, transfer agent, trustee, or in any other similar capacity, has received information as to the ownership of securities, shall under no circumstances make use of such information for the purpose of soliciting purchases, sales or exchanges except at the request and on behalf of the issuer.

19100. Publication of Transactions and Quotations

No BSTX Participant shall publish or circulate, or cause to be published or circulated, any notice, circular, advertisement, newspaper article, investment service, or communication of any kind which purports to report any transaction as a purchase or sale of any security unless such BSTX Participant believes that such transaction was a bona fide purchase or sale of such security; or which purports to quote the bid price or asked price for any security, unless such BSTX Participant believes that such quotation represents a bona fide bid for, or offer of, such security.

19110. Offers at Stated Prices

No BSTX Participant shall make an offer to buy from or sell to any person any security at a stated price unless such BSTX Participant is prepared to purchase or sell, as the case may be, at such price and under such conditions as are stated at the time of such offer to buy or sell.

19120. Payments Involving Publications that Influence the Market Price of a Security

- (a) Except as provided in paragraph (b), no BSTX Participant shall directly or indirectly, give, permit to be given, or offer to give anything of value to any person, or intimidate any person for the purpose of influencing or rewarding the action of such person in connection with the publication or circulation in any electronic or other public media, including any investment service or similar publication, website, newspaper, magazine or other periodical, radio, or television program of any matter which has, or is intended to have, an effect upon the market price of any security;
- (b) The prohibitions in paragraph (a) shall not apply to compensation paid to a person in connection with the publication or circulation of:
 - (1) a communication that is clearly distinguishable as paid advertising;
 - (2) a communication that discloses the receipt of compensation and the amount thereof in accordance with Section 17(b) of the Securities Act; or
 - (3) a research report, as that term is defined in FINRA Rule 2241.

19130. Customer Confirmations

A BSTX Participant, at or before the completion of each transaction with a customer, shall give or send to such customer such written notification or confirmation of the transaction as is required by Exchange Act Rule 10b-10.

EXHIBIT 5A**19140. Disclosure of Control Relationship with Issuer**

A BSTX Participant controlled by, controlling, or under common control with, the issuer of any security, shall, before entering into any contract with or for a customer for the purchase or sale of such security, disclose to such customer the existence of such control, and if such disclosure is not made in writing, it shall be supplemented by the giving or sending of written disclosure at or before the completion of the transaction.

19150. Discretionary Accounts

- (a) Excessive Transactions. No BSTX Participant shall effect with or for any customer's account in respect to which such BSTX Participant or its agent or employee is vested with any discretionary power any transactions of purchase or sale which are excessive in size or frequency in view of the financial resources and character of such account.
- (b) Authorization and Acceptance of Account. No BSTX Participant or associated person of a BSTX Participant shall exercise any discretionary power in a customer's account unless such customer has given prior written authorization to a stated individual or individuals and the account has been accepted by the BSTX Participant, as evidenced in writing by the BSTX Participant or the partner, officer or manager, duly designated by the BSTX Participant.
- (c) Approval and Review of Transactions. The BSTX Participant, or the person duly designated, shall approve promptly in writing each discretionary order entered and shall review all discretionary accounts at frequent intervals in order to detect and prevent transactions which are excessive in size or frequency in view of the financial resources and character of the account.
- (d) Exception. This Rule shall not apply to an order by a customer for the purchase or sale of a definite amount of a specified security which order gives the BSTX Participant discretion only over the time and price of execution.

19160. Improper Use of Customers' Securities or Funds and Prohibition against Guarantees and Sharing in Accounts

- (a) Improper Use. No BSTX Participant or person associated with a BSTX Participant shall make improper use of a customer's securities or funds.
- (b) Prohibition against Guarantees. No BSTX Participant or person associated with a BSTX Participant shall guarantee a customer against loss in connection with any securities transaction or in any securities account of such customer.

19170. Sharing in Accounts; Extent Permissible

- (a) Except as provided in paragraph (c), no BSTX Participant or person associated with a BSTX Participant shall share directly or indirectly in the profits or losses in any account of a customer carried by the BSTX Participant or any other BSTX Participant; provided, however, that a BSTX Participant or person associated with a BSTX

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Participant may share in the profits or losses in such an account if:

- (1) such person associated with a BSTX Participant obtains prior written authorization from the BSTX Participant employing the associated person;
 - (2) such BSTX Participant or person associated with a BSTX Participant obtains prior written authorization from the customer; and
 - (3) such BSTX Participant or person associated with a BSTX Participant shares in the profits or losses in any account of such customer only in direct proportion to the financial contributions made to such account by either the BSTX Participant or person associated with a BSTX Participant.
- (b) Exempt from the direct proportionate share limitation of paragraph (a)(3) are accounts of the immediate family of such BSTX Participant or person associated with a BSTX Participant. For purposes of this Rule, the term "immediate family" shall include parents, mother-in-law or father-in-law, husband or wife, children or any relative to whose support the Participant or person associated with a BSTX Participant otherwise contributes directly or indirectly.
- (c) Notwithstanding the prohibition of paragraph (a), a BSTX Participant or person associated with a BSTX Participant that is acting as an investment adviser may receive compensation based on a share in profits or gains in an account if:
- (1) such person associated with a BSTX Participant seeking such compensation obtains prior written authorization from the BSTX Participant employing the associated person;
 - (2) such BSTX Participant or person associated with a Participant seeking such compensation obtains prior written authorization from the customer; and
 - (3) all of the conditions in Rule 205-3 of the Investment Advisers Act of 1940 (as the same may be amended from time to time) are satisfied.

19180. Communications with Customers and the Public

BSTX Participants and persons associated with a BSTX Participant shall comply with FINRA Rule 2210 (except FINRA Rule 2210(c)) as if such FINRA Rule were part of the Exchange Rules. The Exchange and FINRA are parties to an agreement the pursuant to which FINRA has agreed to perform certain functions on behalf of the Exchange. Therefore, BSTX Participants are complying with this Exchange Rule 19180 by complying with FINRA Rule 2210 as written. In addition, functions performed by FINRA, FINRA departments, and FINRA staff under this Exchange Rule 19180 are being performed by FINRA on the Exchange's behalf.

19190. Gratuities

BSTX Participants shall comply with the requirements of Exchange Rule 3060 (Gratuities).

EXHIBIT 5A**19200. Telemarketing**

BSTX Participants and persons associated with a BSTX Participant shall comply with FINRA Rule 3230 as if such rule were part of the Exchange's Rules.

19210. Mandatory Systems Testing

BSTX Participants shall comply with Exchange Rule 3180 (Mandatory Systems Testing).

20000 – FINANCIAL AND OPERATIONAL RULES FOR BSTX PARTICIPANTS**20000. Maintenance, Retention and Furnishing of Books, Records and Other Information**

- (a) BSTX Participants shall comply with the requirements of Exchange Rule 10000 (Maintenance, Retention and Furnishing of Books, Records, and Other Information).
- (b) BSTX Participants shall submit to the Exchange such Exchange-related order, market and transaction data as the Exchange by Information Circular may specify, in such form and on such schedule as the Exchange may require.

20010. Financial Reports

BSTX Participants shall comply with the requirements of Exchange Rule 10020 (Financial Reports).

20020. Capital Compliance

Each BSTX Participant subject to Rule 15c3-1 under the Exchange Act shall comply with the capital requirements prescribed therein and with the additional requirements of this Rule 20000 Series.

20030. "Early Warning" Notification Requirements

Every BSTX Participant subject to the reporting or notification requirements of Rule 17a-11 under the Exchange Act or the "early warning" reporting, business restriction or business reduction requirements of another national securities exchange, registered securities association or registered securities clearing organization shall promptly notify the Exchange in writing and shall thereafter file with the Exchange such reports and financial statements as may be required by the Exchange.

20040. Power of CRO to Impose Restrictions

Whenever it shall appear to the Chief Regulatory Officer of the Exchange that a BSTX Participant obligated to give notice to the Exchange under Rule 20030 is unable within a reasonable period to reduce the ratio of its aggregate indebtedness to net capital, or to

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increase its net capital, to a point where it is no longer subject to such notification obligations, or that such BSTX Participant is engaging in any activity which casts doubt upon its continued compliance with the net capital requirements, the Chief Regulatory Officer may impose such conditions and restrictions upon the operations, business and expansion of such BSTX Participant and may require the submission of, and adherence to, such plan or program for the correction of such situation as he determines to be necessary or appropriate for the protection of investors, other BSTX Participants and the Exchange.

20050. Margin

- (a) A BSTX Participant shall not effect a securities transaction through the Exchange in a manner contrary to the regulations of the Board of Governors of the Federal Reserve System.
- (b) The margin which must be maintained in margin accounts of customers shall be as follows:
 - (1) 25% of the current market value of all securities “long” in the account; plus
 - (2) \$2.50 per share or 100% of the current market value, whichever amount is greater, of each security or Security “short” in the account selling at less than \$5.00 per share; plus
 - (3) \$5.00 per share or 30% of the current market value, whichever amount is greater, of each security or Security “short” in the account selling at \$5.00 per share or above; plus
 - (4) 5% of the principal amount or 30% of the current market value, whichever amount is greater, of each bond “short” in the account.

20060. Day Trading Margin

- (a) The term “day trading” means the purchasing and selling of the same security on the same day. A “day trader” is any customer whose trading shows a pattern of day trading.
- (b) Whenever day trading occurs in a customer’s margin account the margin to be maintained shall be the margin on the “long” or “short” transaction, whichever occurred first, as required pursuant to Exchange Rule 20050. When day trading occurs in the account of a day trader, the margin to be maintained shall be the margin on the “long” or “short” transaction, whichever occurred first, as required for initial margin by Regulation T of the Board of Governors of the Federal Reserve System, or as required pursuant to Exchange Rule 20050, whichever amount is greater.
- (c) No BSTX Participant shall permit a public customer to make a practice, directly or indirectly, of effecting transactions in a cash account where the cost of securities

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purchased is met by the sale of the same securities. No BSTX Participant shall permit a public customer to make a practice of selling securities with them in a cash account which are to be received against payment from another registered broker or dealer where such securities were purchased and are not yet paid for.

20070. Customer Account Information

BSTX Participants and persons associated with a BSTX Participant shall comply with FINRA Rule 4512 as if such rule were part of the Exchange's Rules.

(a) For purposes of this Exchange Rule:

- (1) References to NASD 2510 (or any successor FINRA rule) shall be construed as references to Exchange Rule 19150;
- (2) References to FINRA Rules 2070, 2090, and 4512 shall be construed as references to Exchange Rules 22030, 19040, and 20070, respectively;
- (3) References to "a prior FINRA rule" shall be construed as references to "a FINRA rule in effect prior to the effectiveness of FINRA Rule 4512";
- (4) The Exchange and FINRA are parties to an agreement pursuant to which FINRA has agreed to perform certain functions on behalf of the Exchange. Therefore, BSTX Participants are complying with Exchange Rule 20070 by complying with FINRA Rule 4512 as written, including, for example, providing information required by FINRA staff. In addition, functions performed by FINRA, FINRA departments, and FINRA staff under Exchange Rule 20070 are being performed by FINRA on behalf of the Exchange.

20080. Record of Written Customer Complaints

BSTX Participants and persons associated with a BSTX Participant shall comply with FINRA Rule 4513 as if such rule were part of the Exchange's Rules.

20090. Disclosure of Financial Condition

- (a) A BSTX Participant shall make available to inspection by any bona fide regular customer, upon request, the information relative to such BSTX Participant's financial condition as disclosed in its most recent balance sheet prepared either in accordance with such BSTX Participant's usual practice or as required by any state or federal securities laws, or any rule or regulation thereunder. In lieu of making such balance sheet available to inspection, a BSTX Participant may deliver the balance sheet to the requesting bona fide regular customer in paper or electronic form; provided that, with respect to electronic delivery, the customer must consent to receive the balance sheet in electronic form.

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- (b) Any BSTX Participant who is a party to an open transaction or who has on deposit cash or securities of another BSTX Participant shall deliver upon written request of the other BSTX Participant, in paper or electronic form, a statement of its financial condition as disclosed in its most recent balance sheet prepared either in accordance with such BSTX Participant's usual practice or as required by any state or federal securities laws, or any rule or regulation thereunder.
- (c) As used in paragraph (a) of this Exchange Rule 20090, the term "customer" means any person who, in the regular course of such BSTX Participant's business, has cash or securities in the possession of such BSTX Participant.

21000 – SUPERVISION**21000. Written Procedures**

Each BSTX Participant shall establish, maintain and enforce written procedures which will enable it to supervise properly the activities of associated persons of the BSTX Participant and to assure their compliance with applicable securities laws, rules, regulations and statements of policy promulgated thereunder, with the rules of the designated self-regulatory organization, where appropriate, and with Exchange Rules.

21010. Responsibility of BSTX Participants

Final responsibility for proper supervision shall rest with the BSTX Participant. The BSTX Participant shall designate a partner, officer or manager in each office of supervisory jurisdiction, including the main office, to carry out the written supervisory procedures. A copy of such procedures shall be kept in each such office.

21020. Records

Each BSTX Participant shall be responsible for making and keeping appropriate records for carrying out the BSTX Participant's supervisory procedures.

21030. Review of Activities

Each BSTX Participant shall review the activities of each office, which shall include the periodic examination of customer accounts to detect and prevent irregularities or abuses.

21040. Prevention of the Misuse of Material, Non-Public Information

- (a) Each BSTX Participant must establish, maintain and enforce written procedures reasonably designed, taking into consideration the nature of such BSTX Participant's business, to prevent the misuse of material, nonpublic information by such BSTX Participant or persons associated with such BSTX Participant. BSTX Participants for whom the Exchange is the Designated Examining Authority ("DEA") that are required to file SEC form X-17A-5 with the Exchange on an annual or more frequent basis must file

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contemporaneously with the submission for the calendar year end Insider Trading and Securities Fraud Enforcement Act of 1988 (“ITSFEA”) compliance acknowledgements stating that the procedures mandated by this Rule have been established, enforced and maintained. Any BSTX Participant or associated person of a BSTX Participant who becomes aware of a possible misuse of material, non-public information must notify the Exchange’s Surveillance Department.

- (b) For purposes of this Rule, conduct constituting the misuse of material, non-public information includes, but is not limited to, the following:
- (1) Trading in any securities issued by a corporation, or in any related securities or related options or other derivative securities, while in possession of material, non-public information concerning that issuer; or
 - (2) Trading in a security or related options or other derivative securities, while in possession of material non-public information concerning imminent transactions in the security or related securities; or
 - (3) Disclosing to another person or entity any material, non-public information involving a corporation whose shares are publicly traded or an imminent transaction in an underlying security or related securities for the purpose of facilitating the possible misuse of such material, non-public information.
- (c) This Rule provides that, at a minimum, each BSTX Participant establish, maintain, and enforce the following policies and procedures:
- (1) All associated persons of the BSTX Participant must be advised in writing of the prohibition against the misuse of material, non-public information;
 - (2) All associated persons of the BSTX Participant must sign attestations affirming their awareness of, and agreement to abide by the aforementioned prohibitions. These signed attestations must be maintained for at least three years, the first two years in an easily accessible place;
 - (3) Each BSTX Participant must receive and retain copies of trade confirmations and monthly account statements for each account in which an associated person has a direct or indirect financial interest or makes investment decisions. The activity in such brokerage accounts should be reviewed at least quarterly by the BSTX Participant for the purpose of detecting the possible misuse of material, non-public information; and
 - (4) All associated persons must disclose to the BSTX Participant whether they, or any person in whose account they have a direct or indirect financial interest, or make investment decisions, are an officer, director or 10% shareholder in a company whose shares are publicly traded. Any transaction in the stock (or option thereon)

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of such company shall be reviewed to determine whether the transaction may have involved a misuse of material non-public information.

Maintenance of the foregoing policies and procedures will not, in all cases, satisfy the requirements and intent of this Rule; the adequacy of each BSTX Participant's policies and procedures will depend upon the nature of such BSTX Participant's business.

21050. Anti-Money Laundering Compliance Program

BSTX Participants shall comply with the requirements of Exchange Rule 10070 (Anti-Money Laundering Compliance Program).

22000 – MISCELLANEOUS PROVISIONS**22000. Comparison and Settlement Requirements**

- (a) Every BSTX Participant who is a member of a registered clearing agency shall implement comparison and settlement procedures as may be required under the rules of such entity.
- (b) For purposes of this Rule, a registered clearing agency shall mean a clearing agency (as defined in the Exchange Act) which has agreed to supply the Exchange with data reasonably requested in order to permit the Exchange to enforce compliance by BSTX Participants with the provisions of the Exchange Act, the rules and regulations thereunder, and the rules of the Exchange.
- (c) Anything contained in paragraph (a) to the contrary notwithstanding, the Board may extend or postpone the time of the delivery of a BSTX transaction whenever, in its opinion, such action is called for by the public interest, by just and equitable principles of trade or by the need to meet unusual conditions. In such case, delivery shall be effected at such time, place and manner as directed by the Board.

22010. Failure to Deliver and Failure to Receive

- (a) Borrowing and deliveries shall be effected in accordance with Rule 203 of Regulation SHO, under the Exchange Act. The Exchange incorporates by reference Rules 200 and 203 of Regulation SHO, to this Rule 22020, as if they were fully set forth herein

22020. Forwarding of Proxy and Other Issuer-Related Materials; Proxy Voting

- (a) A BSTX Participant when so requested by an issuer and upon being furnished with: (1) sufficient copies of proxy material, annual reports, information statements or other material required by law to be sent to security holders periodically, and (2) satisfactory assurance that it will be reimbursed by such issuer for all out-of-pocket expenses, including reasonable clerical expenses, shall transmit promptly to each beneficial owner of securities (or the beneficial owner's designated investment adviser) of such issuer

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which are in its possession and control and registered in a name other than the name of the beneficial owner all such material furnished. In the event of a proxy solicitation, such material shall include a signed proxy indicating the number of shares held for such beneficial owner and bearing a symbol identifying the proxy with proxy records maintained by the BSTX Participant, and a letter informing the beneficial owner (or the beneficial owner's designated investment adviser) of the time limit and necessity for completing the proxy form and forwarding it to the person soliciting proxies prior to the expiration of the time limit in order for the shares to be represented at the meeting. A BSTX Participant shall furnish a copy of the symbols to the person soliciting the proxies and shall also retain a copy thereof pursuant to the provisions of Exchange Act Rule 17a-4. This paragraph shall not apply to beneficial owners residing outside of the United States of America though BSTX Participants may voluntarily comply with the provisions hereof in respect of such persons if they so desire.

- (b) No BSTX Participant shall give a proxy to vote stock that is registered in its name, unless: (i) such BSTX Participant is the beneficial owner of such stock; (ii) such proxy is given pursuant to the written instructions of the beneficial owner; or (iii) such proxy is given pursuant to the rules of any national securities exchange or association of which it is a member provided that the records of the BSTX Participant clearly indicate the procedure it is following.
- (c) Notwithstanding the foregoing, a BSTX Participant that is not the beneficial owner of a security registered under Section 12 of the Exchange Act is prohibited from granting a proxy to vote the security in connection with a shareholder vote on the election of a member of the board of directors of an issuer (except for a vote with respect to uncontested election of a member of the board of directors of any investment company registered under the Investment Company Act of 1940), executive compensation, or any other significant matter, as determined by the Commission, by rule, unless the beneficial owner of the security has instructed the BSTX Participant to vote the proxy in accordance with the voting instructions of the beneficial owner.
- (d) Notwithstanding the foregoing, a BSTX Participant may give a proxy to vote any stock registered in its name if such BSTX Participant holds such stock as executor, administrator, guardian, trustee, or in a similar representative or fiduciary capacity with authority to vote. A BSTX Participant that has in its possession or within its control stock registered in the name of another BSTX Participant and that desires to transmit signed proxies pursuant to the provisions of paragraph (a) of this Rule, shall obtain the requisite number of signed proxies from such holder of record. Notwithstanding the foregoing: (1) any BSTX Participant designated by a named Employee Retirement Income Security Act of 1974 (as amended) ("ERISA") Plan fiduciary as the investment manager of stock held as assets of the ERISA Plan may vote the proxies in accordance with the ERISA Plan fiduciary responsibilities if the ERISA Plan expressly grants discretion to the investment manager to manage, acquire, or dispose of any plan asset and has not expressly reserved the proxy voting right for the named ERISA Plan fiduciary; and (2) any designated investment adviser may vote such proxies.

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- (e) For purposes of this Rule, the term “designated investment adviser” is a person registered under the Investment Advisers Act of 1940, or registered as an investment adviser under the laws of a state, who exercises investment discretion pursuant to an advisory contract for the beneficial owner and is designated in writing by the beneficial owner to receive proxy and related materials and vote the proxy, and to receive annual reports and other material sent to security holders.
- (f) For purposes of this Rule, the term “state” shall have the meaning given to such term in Section 202(a)(19) of the Investment Advisers Act of 1940 (as the same may be amended from time to time).
- (g) The written designation must be signed by the beneficial owner; be addressed to the BSTX Participant; and include the name of the designated investment adviser.
- (h) BSTX Participants that receive such a written designation from a beneficial owner must ensure that the designated investment adviser is registered with the SEC pursuant to the Investment Advisers Act, or with a state as an investment adviser under the laws of such state, and that the investment adviser is exercising investment discretion over the customer’s account pursuant to an advisory contract to vote proxies and/or to receive proxy soliciting material, annual reports and other material. BSTX Participants must keep records substantiating this information.
- (i) Beneficial owners have an unqualified right at any time to rescind designation of the investment adviser to receive materials and to vote proxies. The rescission must be in writing and submitted to the BSTX Participant.

22030. Commissions

Nothing in the Exchange Rules or the Exchange practices shall be construed to require, authorize or permit any BSTX Participant, or any person associated with a BSTX Participant, to agree or arrange, directly or indirectly, for the charging of fixed rates of commission for transactions effected on, or effected by the use of the facilities of, the Exchange.

22040. Regulatory Services Agreements

The Exchange may enter into one or more agreements with another self-regulatory organization to provide regulatory services to the Exchange to assist the Exchange in discharging its obligations under Section 6 and Section 19(g) of the Exchange Act. Any action taken by another self-regulatory organization, or its employees or authorized agents, acting on behalf of the Exchange pursuant to a regulatory services agreement shall be deemed to be an action taken by the Exchange; provided, however, that nothing in this provision shall affect the oversight of such other self-regulatory organization by the Commission. Notwithstanding the fact that the Exchange may enter into one or more regulatory services agreements, the Exchange shall retain ultimate legal responsibility

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for, and control of, its self-regulatory responsibilities, and any such regulatory services agreement shall so provide.

22050. Transactions Involving Exchange Employees

- (a) When a BSTX Participant has actual notice that an Exchange employee has a financial interest in, or controls trading in, an account, the BSTX Participant shall promptly obtain and implement an instruction from the employee directing that duplicate account statements be provided by the BSTX Participant to the Exchange.
- (b) No BSTX Participant shall directly or indirectly make any loan of money or securities to any Exchange employee. Provided, however, that this prohibition does not apply to loans made in the context of disclosed, routine banking and brokerage agreements, or loans that are clearly motivated by a personal or family relationship.
- (c) Notwithstanding the annual dollar limitation set forth in Rule 19200, no BSTX Participant shall directly or indirectly give, or permit to be given, anything of more than nominal value to any BOX employee who has responsibility for a regulatory matter that involves the BSTX Participant. For purposes of this subsection, the term “regulatory matter” includes, but is not limited to, examinations, disciplinary proceedings, membership applications, listing applications, delisting proceedings, and dispute-resolution proceedings that involve the BSTX Participant.

23000 – TRADING PRACTICE RULES**23000. Market Manipulation**

No BSTX Participant shall execute or cause to be executed or participate in an account for which there are executed purchases of any security at successively higher prices, or sales of any security at successively lower prices, or otherwise engage in activity, for the purpose of creating or inducing a false, misleading or artificial appearance of activity in such security on the Exchange or for the purpose of unduly or improperly influencing the market price for such security or for the purpose of establishing a price which does not reflect the true state of the market in such security.

23010. Fictitious Transactions

No BSTX Participant, for the purpose of creating or inducing a false or misleading appearance of activity in a security traded on the Exchange or creating or inducing a false or misleading appearance with respect to the market in such security shall:

- (1) execute any transaction in such security which involves no change in the beneficial ownership thereof, or
- (2) enter any order or orders for the purchase of such security with the knowledge that an order or orders of substantially the same size, and at substantially the same

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price, for the sale of such security, has been or will be entered by or for the same or different parties, or

- (3) enter any order or orders for the sale of any such security with the knowledge that an order or orders of substantially the same size, and at substantially the same price, for the purchase of such security, has been or will be entered by or for the same or different parties.

23020. Excessive Sales by a BSTX Participant

No BSTX Participant shall execute purchases or sales in any security traded on the Exchange for any account in which such BSTX Participant is directly or indirectly interested, which purchases or sales are excessive in view of the BSTX Participant's financial resources or in view of the market for such security.

23030. Manipulative Transactions

- (a) No BSTX Participant shall participate or have any interest, directly or indirectly, in the profits of a manipulative operation or knowingly manage or finance a manipulative operation.
- (b) Any pool, syndicate or joint account organized or used intentionally for the purpose of unfairly influencing the market price of a security shall be deemed to be a manipulative operation.
- (c) The solicitation of subscriptions to or the acceptance of discretionary orders from any such pool, syndicate or joint account shall be deemed to be managing a manipulative operation.
- (d) The carrying on margin of a position in such security or the advancing of credit through loans to any such pool, syndicate or joint account shall be deemed to be financing a manipulative operation.

23040. Dissemination of False Information

Consistent with Exchange Rule 3080 (Rumors), no BSTX Participant shall make any statement or circulate and disseminate any information concerning any security traded on the Exchange which such BSTX Participant knows or has reasonable grounds for believing is false or misleading or would improperly influence the market price of such security.

23050. Prohibition against Trading Ahead of Customer Orders

- (a) Except as provided herein, a BSTX Participant that accepts and holds an order in a security from its own customer or a customer of another broker-dealer without immediately executing the order is prohibited from trading that security on the same side

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of the market for its own account at a price that would satisfy the customer order, unless it immediately thereafter executes the customer order up to the size and at the same or better price at which it traded for its own account.

- (b) A BSTX Participant must have a written methodology in place governing the execution and priority of all pending orders that is consistent with the requirements of this Rule. A BSTX Participant also must ensure that this methodology is consistently applied.
- (c) *Large Orders and Institutional Account Exceptions.* With respect to orders for customer accounts that meet the definition of an “institutional account” or for orders of 10,000 Securities or more (unless such orders are less than \$100,000 in value), a BSTX Participant is permitted to trade a security on the same side of the market for its own account at a price that would satisfy such customer order, provided that the BSTX Participant has provided clear and comprehensive written disclosure to such customer at account opening and annually thereafter that:
- (1) discloses that the BSTX Participant may trade proprietarily at prices that would satisfy the customer order, and
 - (2) provides the customer with a meaningful opportunity to opt in to the Rule 23050 protections with respect to all or any portion of its order.

If the customer does not opt in to the Rule 23050 protections with respect to all or any portion of its order, the BSTX Participant may reasonably conclude that such customer has consented to the BSTX Participant trading a security on the same side of the market for its own account at a price that would satisfy the customer’s order.

In lieu of providing written disclosure to customers at account opening and annually thereafter, a BSTX Participant may provide clear and comprehensive oral disclosure to and obtain consent from the customer on an order-by-order basis, provided that the BSTX Participant documents who provided such consent and such consent evidences the customer’s understanding of the terms and conditions of the order.

For purposes of this Rule, “institutional account” shall mean the account of:

- i. a bank savings and loan association, insurance company or registered investment company;
 - ii. an investment adviser registered either with the SEC under Section 203 of the Investment Advisers Act or with a state securities commission (or any agency or office performing like functions); or
 - iii. any other person (whether a natural person, corporation, partnership, trust or otherwise) with total assets of at least \$50 million
- (d) *No-Knowledge Exception.*

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- (1) With respect to NMS stocks (as defined in Rule 600 under of the Securities and Exchange Commission’s Regulation NMS), if a BSTX Participant implements and utilizes an effective system of internal controls, such as appropriate information barriers, that operate to prevent one trading unit from obtaining knowledge of customer orders held by a separate trading unit, those other trading units trading in a proprietary capacity may continue to trade at prices that would satisfy the customer orders held by the separate trading unit. A BSTX Participant that structures its order handling practices in NMS stocks to permit its proprietary and/or market-making desk to trade at prices that would satisfy customer orders held by a separate trading unit must disclose in writing to its customers, at account opening and annually thereafter, a description of the manner in which customer orders are handled by the BSTX Participant and the circumstances under which the BSTX Participant may trade proprietarily at its proprietary and/or market-making desk at prices that would satisfy the customer order.
 - (2) If a BSTX Participant implements and utilizes appropriate information barriers in reliance on this exception, the BSTX Participant must uniquely identify such information barriers in place at the department within the BSTX Participant where the order was received or originated. Appropriate information barriers must, at minimum, comply with the requirements set forth in Rule 21040.
 - (3) BSTX Participants must maintain records that indicate which orders rely on the No Knowledge Exception and submit these records to the Exchange upon request.
- (e) *Riskless Principal Exception.* The obligations under this Rule shall not apply to a BSTX Participant’s proprietary trade if such proprietary trade is for the purposes of facilitating the execution, on a riskless principal basis, of an order from a customer (whether its own customer or the customer of another broker-dealer) (the “facilitated order”), provided that the BSTX Participant:
- (1) submits a report, contemporaneously with the execution of the facilitated order, identifying the trade as riskless principal to the Exchange (or another self-regulatory organization if not required under Exchange rules); and
 - (2) has written policies and procedures to ensure that riskless principal transactions for which the BSTX Participant is relying upon this exception comply with applicable Exchange rules. At a minimum these policies and procedures must require that the customer order was received prior to the offsetting principal transaction, and that the offsetting principal transaction is at the same price as the customer order exclusive of any markup or markdown, commission equivalent or other fee and is allocated to a riskless principal or customer account in a consistent manner and within 60 seconds of execution. A BSTX Participant must have supervisory systems in place that produce records that enable the BSTX Participant and the Exchange to reconstruct accurately, readily, and in a time-

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sequenced manner all facilitated orders for which the BSTX Participant relies on this exception.

- (f) *ISO Exception.* A BSTX Participant shall be exempt from the obligation to execute a customer order in a manner consistent with this Rule with regard to trading for its own account that is the result of an Inter-market Sweep Order (“ISO”) routed in compliance with Rule 600(b)(31) of Regulation NMS where the customer order is received after the BSTX Participant routed the ISO. Where a BSTX Participant routes an ISO to facilitate a customer order and that customer has consented to not receiving the better prices obtained by the ISO, the BSTX Participant also shall be exempt with respect to any trading for its account that is the result of the ISO with respect to the consenting customer’s order.
- (g) *Bona Fide Error Transaction Exceptions.* The obligations under this Rule shall not apply to a BSTX Participant’s proprietary trade that is to correct a bona fide error. BSTX Participants are required to demonstrate and document the basis upon which a transaction meets the bona fide error exception. For purposes of this Rule, a bona fide error is:
- (1) the inaccurate conveyance or execution of any term of an order, including, but not limited to, price, number of shares or other unit of trading; identification of the security; identification of the account for which securities are purchased or sold; lost or otherwise misplaced order tickets; short sales that were instead sold long or vice versa; or the execution of an order on the wrong side of a market;
 - (2) the unauthorized or unintended purchase, sale, or allocation of securities or the failure to follow specific client instructions;
 - (3) the incorrect entry of data into relevant systems, including reliance on incorrect cash positions, withdrawals, or securities positions reflected in an account; or
 - (4) a delay, outage, or failure of a communication system used to transmit market data prices or to facilitate the delivery or execution of an order.
- (h) *Minimum Price Improvement Standards.* The minimum amount of price improvement necessary for a BSTX Participant to execute an order on a proprietary basis when holding an unexecuted limit order in that same security, and not be required to execute the held limit order, is \$0.01 for all securities traded on the BSTX System. In addition, if the minimum price improvement standards above would trigger the protection of a pending customer limit order, any better-priced customer limit order(s) must also be protected under this Rule, even if those better-priced limit orders would not be directly triggered under the minimum price improvement standards above.
- (i) *Order Handling Procedures.* A BSTX Participant must make every effort to execute a marketable customer order that it receives fully and promptly. A BSTX Participant that is holding a customer order that is marketable and has not been immediately executed must make every effort to cross such order with any other order received by the BSTX

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Participant on the other side of the market up to the size of such order at a price that is no less than the best bid and no greater than the best offer at the time that the subsequent order is received by the BSTX Participant and that is consistent with the terms of the orders. In the event that a BSTX Participant is holding multiple orders on both sides of the market that have not been executed, the BSTX Participant must make every effort to cross or otherwise execute such orders in a manner that is reasonable and consistent with the objectives of this Rule and with the terms of the orders. A BSTX Participant can satisfy the crossing requirement by contemporaneously buying from the seller and selling to the buyer at the same price.

23060. Joint Activity

No BSTX Participant, directly or indirectly, shall hold any interest or participation in any joint account for buying or selling a security traded on the Exchange, unless such joint account is promptly reported to the Exchange. The report should contain the following information for each account:

- (1) the name of the account, with names of all participants and their respective interests in profits and losses;
- (2) a statement regarding the purpose of the account;
- (3) the name of the BSTX Participant carrying and clearing the account; and
- (4) a copy of any written agreement or instrument relating to the account.

23070. Influencing Data Feeds

No BSTX Participant shall attempt to execute a transaction or transactions to buy or sell a security for the purpose of influencing any report appearing on any data feed providing information with respect to such security.

23080. Trade Shredding

No BSTX Participant or associated person of a BSTX Participant may engage in “trade shredding.” Trade shredding is conduct that has the intent or effect of splitting any order into multiple smaller orders for execution or any execution into multiple smaller executions for the primary purpose of maximizing a monetary or in-kind amount to be received by a BSTX Participant or associated person of a BSTX Participant as a result of the execution of such orders or the transaction reporting of such executions. For purposes of this Rule 23080, “monetary or in-kind amount” shall be defined to include, but not be limited to, any credits, commissions, gratuities, payments for or rebates of fees, or any other payments of value to a BSTX Participant or associated person of a BSTX Participant.

23090. Best Execution

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In executing customer orders, a BSTX Participant is not a guarantor of “best execution” but must use the care of a reasonably prudent person in the light of all circumstances deemed relevant by the BSTX Participant and having regard for the BSTX Participant’s brokerage judgment and experience.

23100. Publication of Transactions and Changes

- (a) The Exchange shall cause to be disseminated for publication on the data feed(s) relating to the effective transaction reporting plan for Securities all last sale price reports of transactions executed through the facilities of the Exchange pursuant to the requirements of an effective transaction reporting plan approved by the Commission.
- (b) To facilitate the dissemination of such last sale price reports, each BSTX Participant shall cause to be reported to the Exchange, as promptly as possible after execution, all information concerning each transaction required by the effective transaction reporting plan for Securities.
- (c) An official of the Exchange shall approve any corrections to reports transmitted over the data feed(s) relating to the effective transaction reporting plan for Securities. Any such corrections shall be made within one day after detection of the error.

23110. Trading Ahead of Research Reports

- (a) No BSTX Participant shall establish, increase, decrease or liquidate an inventory position in a security or a derivative of such security based on non-public advance knowledge of the content or timing of a research report in that security.
- (b) BSTX Participant must establish, maintain and enforce policies and procedures reasonably designed to restrict or limit the information flow between research department personnel, or other persons with knowledge of the content or timing of a research report, and trading department personnel, so as to prevent trading department personnel from utilizing non-public advance knowledge of the issuance or content of a research report for the benefit of the BSTX Participant or any other person.

23120. Front Running of Block Transactions

- (a) BSTX Participants and persons associated with BSTX Participants shall comply with FINRA Rule 5270 as if such rule were part of the Exchange’s Rules.
- (b) Front Running of Non-Block Transactions. Although the prohibitions in FINRA Rule 5270 are limited to imminent block transactions, the front running of other types of orders that place the financial interests of a BSTX Participant or persons associated with a BSTX Participant ahead of those of its customers or the misuse of knowledge of an imminent customer order may violate other Exchange rules, including Rule 19000 and Rule 23050, and/or provisions of the federal securities laws.

EXHIBIT 5A**23130. Disruptive Quoting and Trading Activity Prohibited**

BSTX Participants shall comply with the requirements of Exchange Rule 3220 (Disruptive Quoting and Trading Activity Prohibited).

24000 – DISCIPLINE AND SUMMARY SUSPENSION**24000. Suspensions**

The provisions of the Rule 11000 Series (Summary Suspension), 12000 Series (Discipline), 13000 Series (Review of Certain Exchange Actions), and 14000 Series (Arbitration) of the Exchange Rules shall be applicable to BSTX Participants and trading on the BSTX System.

24010. Penalty for Minor Rule Violations

The following BSTX Rule and policy violations may be determined by the Exchange to be minor in nature. If so, the Exchange may, with respect to any such violation, proceed under Rule 12140 (Imposition of Fines for Minor Violations) and impose the fine set forth below. The Exchange is not required to proceed under said Rules as to any rule violation and may, whenever such action is deemed appropriate, commence a disciplinary proceeding under the Rule 12000 Series as to any such violation. A subsequent violation is calculated on the basis of a rolling 24-month period (“Period”).

(a) Fine schedule pursuant to Rule 24010:

Occurrence (within a rolling 1	Individual	BSTX Participant
First Offense	\$100	\$500
Second Offense	\$300	\$1,000
Third Offense	\$500	\$2,5000

(b) Violations Appropriate for Dispositions under Rule 24010:

- (1) Rule 20000 – Maintenance, Retention and Furnishing of Records
- (2) Rule 25070 – Audit Trail
- (3) Rule 25210(a)(1) – BSTX Market Maker Two-Sided Quote Obligation
- (4) Rule 25120 – Short Sales.

EXHIBIT 5A**25000 – TRADING RULES****25000. Access to and Conduct on the BSTX Marketplace**

- (a) *Access to BSTX.* Unless otherwise provided in the Rules, no one but a BSTX Participant approved for trading on the BSTX System or a person associated with such a BSTX Participant shall effect any transactions on the BSTX System.
- (b) *Authorized Traders.* A BSTX Participant shall maintain a list of authorized traders who may obtain access to the BSTX System on behalf of the BSTX Participant. The BSTX Participant shall update the list of authorized traders as necessary. BSTX Participants must provide the list of authorized traders to the Exchange upon request.
- (1) BSTX Participants must have procedures in place that are reasonably designed to ensure that all authorized traders comply with all Exchange Rules and all other procedures related to the BSTX System.
 - (2) A BSTX Participant must suspend or withdraw a person's status as an authorized trader if the Exchange has determined that the person caused the BSTX Participant to fail to comply with the Rules of the Exchange and the Exchange has directed the BSTX Participant to suspend or withdraw the person's status as an authorized trader.
 - (3) A BSTX Participant must have reasonable procedures to ensure that authorized traders maintain the physical security of the equipment for accessing the facilities of the Exchange to prevent the improper use or access to the systems, including unauthorized entry of information into the systems.
 - (4) To be eligible to become an authorized trader of a BSTX Participant, a person must register as an associated person of the BSTX Participant pursuant to Exchange Rule 2050.
- (c) *Exchange Conduct.* BSTX Participants and persons employed by or associated with any BSTX Participant, while using the facilities of the Exchange, including BSTX, shall not engage in conduct:
- (1) inconsistent with the maintenance of a fair and orderly market;
 - (2) likely to impair public confidence in the operations of the Exchange; or
 - (3) inconsistent with the ordinary and efficient conduct of business.
- (d) Activities that shall violate the provisions of paragraph (b) include, but are not limited to, the following:
- (1) failure of a BSTX Market Maker to comply with the requirements in Rule 25200 Series;
 - (2) failure of a BSTX Participant to adequately supervise a person employed by or associated with such BSTX Participant to ensure that person's compliance with

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paragraph (c).

- (3) failure to maintain adequate procedures and controls that permit the BSTX Participant to effectively monitor and supervise the entry of orders by users to prevent the prohibited practices set forth in paragraph (c) and the Rule 23000 Series;
 - (4) failure to abide by a determination of the Exchange;
 - (5) effecting transactions that are manipulative as provided in the Rule 23000 Series and any Exchange policy;
 - (6) refusal to provide information requested by the Exchange (See Rules 10000 and 12010); and
 - (7) failure to abide by the provisions of the Rule 23000 Series related to limitations on orders.
- (e) Subject to the Rules, the Exchange will provide access to the BSTX System to Participants in good standing that wish to conduct business on BSTX.
- (f) Pursuant to the Rules, the Exchange may:
- (1) suspend a Participant's access to the BSTX System following a warning which may be made in writing or verbally (and subsequently confirmed in writing); or
 - (2) terminate a Participant's access to the BSTX System by notice in writing.

25010. Days and Hours of Business

- (a) The Board shall determine the days BSTX shall be open for business (referred to as "business days") and the hours of such days during which transactions may be made on BSTX. No Participant shall make any bid, offer, or transaction on BSTX before or after such hours, except as provided in Rule 25040.
- (b) The Exchange shall not be open for business on the following holidays: New Year's Day, Martin Luther King, Jr. Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day. When any holiday observed by the Exchange falls on a Saturday, the Exchange will not be open for business on the preceding Friday. When any holiday observed by the Exchange falls on a Sunday, the Exchange will not be open for business on the following Monday, unless unusual business conditions exist at the time.
- (c) Orders may be executed on the BSTX System between 9:30 a.m. and 4:00 p.m. Eastern Time.
- (d) The Chief Executive Officer, President, or Chief Regulatory Officer of the Exchange, or his designee, who must be a senior officer of the Exchange, shall have the power to halt, suspend trading in any and all Securities traded on BSTX, to close some or all BSTX facilities, and to determine the duration of any such halt, suspension, or closing, when he

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deems such action necessary for the maintenance of fair and orderly markets, the protection of investors, or otherwise in the public interest including special circumstances such as (1) actual or threatened physical danger, severe climatic conditions, civil unrest, terrorism, acts of war, or loss or interruption of facilities utilized by BSTX, (2) a request by a governmental agency or official, or (3) a period of mourning or recognition for a person or event. No such action shall continue longer than a period of two days, or as soon thereafter as a quorum of Directors can be assembled, unless the Board approves the continuation of such suspension.

25020. Units of Trading

The minimum unit of trading on the BSTX System shall be one Security.

25030. Minimum Price Variant (“MPV”)

Bids, offers, orders, or indications of interest in securities traded on BSTX shall not be made in an increment smaller than \$0.01.

25040. Opening the Market*(a) Opening the Market for BSTX-Listed Securities.*

- (1) *Pre-Opening Phase.* Starting at 8:30 a.m. Eastern Time, the BSTX System will accept orders. During this period, known as the Pre-Opening Phase, orders are placed on the BSTX Book but do not generate trade executions. Orders may be canceled but not modified.
- (2) *Calculation of Theoretical Opening Price.* From the time that the BSTX System commences accepting orders at the start of the Pre-Opening Phase, the BSTX System will calculate and provide the Theoretical Opening Price (“TOP”) for the current resting orders on the BSTX Book during the Pre-Opening Phase. The TOP is that price at which the opening match would occur at the current time, if that time were the opening, according to the opening match procedures described in paragraph (4) below. The quantity that would trade at this price is also calculated.

A TOP can only be calculated if an opening trade is possible. An opening trade is possible if the BSTX Book is crossed (highest bid is higher than the lowest offer) or locked (highest bid equals lowest offer).
- (3) *Broadcast Information During Pre-Opening Phase.* The BSTX System will disseminate certain information to all BSTX Participants about any orders sent in before the Opening Match. This broadcast will include (“Broadcast Information”):
 - i. The TOP;
 - ii. The “Paired Securities,” which is the quantity of Securities that would execute at the TOP;
 - iii. The “Imbalance Quantity,” which is the number of Securities that may not

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be matched with other orders at the TOP at the time of dissemination;

- iv. The “Imbalance Side,” which is the buy/sell direction of any imbalance at the time of dissemination.

Any orders which are at a price better (*i.e.*, bid higher or offer lower) than the TOP will be shown only as a total quantity on the BSTX Book at a price equal to the TOP.

- (4) *Timing of Dissemination of Broadcast Information.* Broadcast Information is recalculated and disseminated every time a new order is received or cancelled and where such event causes the TOP or Paired Securities to change.
- (5) *Opening Match.*
 - i. The BSTX System will establish the opening price at the time of the opening match at 9:30 a.m. Eastern Time. The opening price is the TOP at the moment of the opening match. The TOP/opening price is the “market clearing” price which will leave bids and offers which cannot trade with each other. In determining the priority of orders to be filled, the BSTX System will give priority to Limit Orders whose price is better than the opening price first. Consistent with Rule 25080, among multiple orders at the same price, execution priority during the opening match is determined based on the time the order was received by the BSTX System.
 - ii. The BSTX System will determine a single price at which a particular Security will be opened. BSTX will calculate the optimum number of Securities that could be matched at a price, taking into consideration all the orders on the BSTX Book.
 - 1. The opening match price is the price which will result in the matching of the highest number of Securities.
 - 2. Should two or more prices satisfy the maximum quantity criteria, the price which will leave the fewest resting Securities in the BSTX Book will be selected as the opening price.
 - 3. Should there still be two or more prices which meet both criteria in subparagraphs (1) and (2) above, the price which is closest to the previous day’s closing price will be selected as the opening match price. For Initial Security Offerings, BSTX will utilize the price assigned to the Security by the underwriter for the offering (“Initial Security Offering Reference Price”).
- (6) *Transition to Normal Trading.* As the opening price is determined, the BSTX System will proceed to move the Security from the Pre-Opening Phase to the continuous or regular trading phase and disseminate the opening trade price, if any. At this point, the BSTX system is open for trading and all orders are accepted and processed according to these Rules. Any orders that remain

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unexecuted in the opening match, including any remaining portion of a partially executed order, shall be moved onto the BSTX Order Book for the regular trading phase and shall retain their price/time priority consistent with Rule 25080. When the BSTX System cannot determine an opening price, the Security will nevertheless move from Pre-Opening Phase to the continuous trading phase with all orders received during the Pre-Opening Phase being moved to the BSTX Book for regular hours trading.

- (7) Orders marked IOC submitted during the Pre-Opening Phase are rejected.
- (b) *Auctions for the Initial Public Offering of a Security.* An initial public offering of a Security (“Initial Security Offering”) will follow the same general process described above in paragraph (a) subject to the following:
- (1) *Quote-Only Period.* In advance of an auction related to an Initial Security Offering (“Initial Security Offering Auction”), the Exchange shall announce a “Quote-Only Period” that shall be between fifteen (15) and thirty (30) plus a short random period prior to the Initial Security Offering Auction. Limit orders with time-in-force of DAY submitted during the Quote Only Period shall be eligible to participate in the Initial Security Offering Auction. Orders may not be submitted to participate in an Initial Security Offering until the beginning of the Quote-Only Period. During the Quote Only Period, orders may be canceled, but not modified. Orders marked IOC submitted during the Quote-Only Period are rejected.
 - (2) *Extending the Quote Only Period.* The Quote-Only Period may be extended where:
 - i. There is no TOP;
 - ii. The underwriter requests an extension;
 - iii. The TOP moves the greater of 10% or fifty (50) cents in the fifteen (15) seconds prior to the initial cross; or
 - iv. In the event of a technical or systems issue at the Exchange that may impair the ability of BSTX Participants to participate in the Initial Security Offering or of the Exchange to complete the Initial Security Offering.
 - (3) *Broadcast Information.* The Exchange will disseminate Broadcast Information as described in paragraph (a)(3) above beginning at the commencement of the Quote Only Period. Broadcast Information is re-calculated and disseminated every time a new order is received or cancelled and where such event causes the TOP price or Paired Securities to change.
 - (4) *Notification of Extensions of the Quote-Only Period and Trading Pauses.* In the event of any extension to the Quote-Only Period as set forth in paragraph (b)(2)

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above, the Exchange will notify market participants regarding the circumstances and length of the extension. If a trading pause is triggered by the Exchange or if the Exchange is unable to reopen trading at the end of the trading pause due to a systems or technology issue, the Exchange will immediately notify the single plan processor responsible for consolidation of information for the security pursuant to Rule 603 of Regulation NMS under the Securities Exchange Act of 1934.

- (5) *Determination of Initial Security Offering Price and Transition to Normal Trading.* Orders will be matched and executed pursuant to paragraph (a)(5) above at the conclusion of the Quote-Only Period, rather than at 9:30 a.m. Eastern Time. Following the initial cross at the end of the Quote-Only Period, the Exchange will transition to normal trading pursuant to paragraph (a)(6) above.
 - (6) Orders marked IOC submitted during the Pre-Opening Phase of an Initial Security Offering Auction are rejected.
- (c) *Halt Auctions in BSTX-Listed Securities.* “Halt Auctions” are used to re-open trading in a BSTX-listed Security following a trading pause or a LULD trading halt pursuant to Rule 25050.
- (1) *Quote-Only Period.* In advance of reopening after a trading halt, the Exchange shall announce a “Quote-Only Period” that shall be five (5) minutes prior to the Halt Auction. Limit orders with time-in-force of DAY submitted during the Quote Only period shall be eligible to participate in Halt Auction. Orders may not be submitted to participate in a Halt Auction until the beginning of the Quote-Only Period. During the Quote-Only Period, orders may be canceled, but not modified. Orders marked IOC submitted during the Quote-Only Period are rejected.
 - (2) *Incremental Quote Period Extensions for Halt Auctions Following a Regulatory Halt.* The Quote-Only Period with respect to a Halt Auction shall commence five (5) minutes prior to such Halt Auction. The Quote-Only Period shall be extended for an additional five (5) minutes should a Halt Auction be unable to be performed due to the absence of a TOP (“Initial Extension Period”). After the Initial Extension Period, the Quote-Only Period shall be extended for additional five (5) minute periods should a Halt Auction be unable to be performed due to absence of a TOP (“Additional Extension Period”) until a Halt Auction occurs. The Exchange shall attempt to conduct a Halt Auction during the course of each Additional Extension Period.
 - (3) *Broadcast Information.* The Exchange will disseminate Broadcast Information for a Halt Auction as described in paragraph (a)(3) above beginning at the commencement of the Quote Only Period. Broadcast Information is re-calculated and disseminated every time a new order is received or cancelled and where such event causes the TOP price or quantity to change.
 - (4) *Notification of Extensions of the Quote-Only Period and Trading Pauses.* In the

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event of any extension to the Quote-Only Period as set forth in paragraph (c)(2) above, the Exchange will notify market participants regarding the circumstances and length of the extension. If a trading pause is triggered by the Exchange or if the Exchange is unable to reopen trading at the end of the trading pause due to a systems or technology issue, the Exchange will immediately notify the single plan processor responsible for consolidation of information for the security pursuant to Rule 603 of Regulation NMS under the Securities Exchange Act of 1934.

- (5) *Determination of Halt Auction Price and Transition to Normal Trading.* Orders will be matched and executed pursuant to paragraph (a)(5) above at the conclusion of the Quote-Only Period for the Halt Auction. Following the initial cross at the end of the Quote-Only Period, the Exchange will transition to normal trading pursuant to paragraph (a)(6) above.
- (d) *Contingency Procedures.* When a disruption occurs that prevents the execution of an Initial Security Offering or Halt Auction, including any extensions thereof, as set forth above, the Exchange shall apply the following “Contingency Procedures”:
- (1) For an Initial Security Offering Auction, the Exchange will publicly announce that the Quote-Only Period for the Initial Security Offering Auction will reset for the subject Security. The Exchange will then cancel all orders on the BSTX Book and disseminate a new scheduled time for the Quote-Only Period and opening match.
 - (2) For a Halt Auction, the Exchange will publicly announce that no Halt Auction will occur. All orders in the halted Security on the BSTX Book will be canceled, and the Exchange will open the Security for trading without an auction.
- (e) *Opening the Market for Non-BSTX-Listed Securities.*
- (1) *Order Entry and Cancellation before the Opening Process.* Prior to the beginning of Regular Trading Hours, BSTX Participants who wish to participate in the opening process may enter orders to buy or sell. The Exchange will accept orders and quotes for inclusion in the BSTX Book but such orders and quotes cannot execute until the termination of the Pre-Opening Phase (“Opening Process”). Orders cancelled before the Opening Process will not participate in the Opening Process.
 - i. The Exchange will open by attempting to execute all orders eligible for the Opening Process.
 - (2) *Performing the Opening Process.* The Exchange will attempt to perform the Opening Process and will match buy and sell orders that are executable at the midpoint of the NBBO as described in paragraph (3) below. All orders eligible to trade at the midpoint will be processed in time sequence, beginning with the order with the oldest time stamp. Matches will occur until there is no remaining volume or there is an imbalance of orders (the “Opening Match”). An imbalance of orders on the buy side or sell side may result in orders that are not executed in whole or

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in part. Such orders may, in whole or in part, be placed on the BSTX Book, cancelled, or executed. If no matches can be made, the Opening Process will conclude with all orders that participated in the Opening Process being placed in the BSTX Book, cancelled, or executed.

- (3) *Determining the price of the Opening Process.* The price of the Opening Process will be at the midpoint of the: (i) first NBBO subsequent to the first two-sided quotation published by the listing exchange after 9:30:00 a.m. Eastern Time; or (ii) then prevailing NBBO when the first two-sided quotation is published by the listing exchange after 9:30:00 a.m. Eastern Time, but before 9:45:00 a.m. Eastern Time if no first trade is reported by the listing exchange within one second of publication of the first two-sided quotation by the listing exchange.
 - (4) *Contingent Open.* If the conditions to establish the price of the Opening Process set forth above do not occur by 9:45:00 a.m. Eastern Time, orders will be handled in time sequence, beginning with the order with the oldest time stamp, and will be placed on the BSTX Book, cancelled, or executed in accordance with the terms of the order.
 - (5) *Re-Opening After a Halt.* While a non-BSTX-listed security is subject to a halt, suspension, or pause in trading, the Exchange rejects orders until there is a resumption of trading in the security for participation in the re-opening process. Once the trading halt, suspension, or pause is lifted, BSTX Participants may resume submitting order to BSTX.
- (f) Whenever, in the judgment of the Exchange, the interests of a fair and orderly market so require, the Exchange may adjust the timing of or suspend the auctions set forth in this Rule with prior notice to BSTX Participants.
- (g) For purposes of Rule 611(b)(3) of Regulation NMS, orders executed pursuant to the Opening Auction, Initial Security Offering Auction, and Halt Auction may trade through any other trading center's manual or protected quotations if the transaction that constituted the trade-through was a single-priced opening, reopening, or closing transaction by the trading center.

25050. Limit Up-Limit Down Plan and Trading Halts

- (a) This rule shall be in effect during a pilot period to coincide with the pilot period for the Regulation NMS Plan to Address Extraordinary Market Volatility. If the pilot is not either extended or approved permanently at the end of the pilot period, the Exchange will amend this rule. The Exchange shall halt trading in all Securities and shall not reopen for the time periods specified in this Rule 25050 if there is a Level 1, 2, or 3 Market Decline.
 - (l) For purposes of this Rule, a Market Decline means a decline in price of the S&P 500® Index between 9:30 a.m. and 4:00 p.m. Eastern Time on a trading day as compared to the closing price of the S&P 500® Index for the immediately preceding trading day. The Level 1, Level 2, and Level 3 Market Declines that will be applicable for the trading day will be publicly disseminated before 9:30

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a.m. Eastern Time.

- (2) A “Level 1 Market Decline” means a Market Decline of 7%.
- (3) A “Level 2 Market Decline” means a Market Decline of 13%.
- (4) A “Level 3 Market Decline” means a Market Decline of 20%.

(b) *Halts in Trading.*

- (1) If a Level 1 Market Decline or a Level 2 Market Decline occurs after 9:30 a.m. Eastern Time and up to and including 3:25 p.m., or in the case of an early scheduled close, 12:25 p.m., the Exchange shall halt trading in all Securities for 15 minutes after a Level 1 or Level 2 Market Decline. The Exchange shall halt trading based on a Level 1 or Level 2 Market Decline only once per trading day. The Exchange will not halt trading if a Level 1 Market Decline or a Level 2 Market Decline occurs after 3:25 p.m. or, in the case of an early scheduled close, after 12:25 p.m.
 - (2) If a Level 3 Market Decline occurs at any time during the trading day, the Exchange shall halt trading in all Securities until the primary listing market opens the next trading day.
- (c) If a primary listing market halts trading in all Securities, the Exchange will halt trading in all Securities until trading has resumed on the primary listing market or notice has been received from the primary listing market that trading may resume. If the primary listing market does not reopen a Security within 15 minutes following the end of the 15-minute halt period, the Exchange may resume trading in that Security.
- (d) *Acceptance of Orders.* BSTX does not accept any orders in a non-BSTX-listed security subject to a trading halt for the duration of the trading halt. Any order submitted during a halt in a non-BSTX-listed security will be rejected by the BSTX System. All orders and trading interest resting on the BSTX book during any trading halt, including both non-BSTX listed securities and BSTX listed Securities will be canceled. Orders may be accepted by BSTX only following a broadcast message to BSTX Participants indicating a forthcoming re-opening of trading, as described in paragraph (e) below.
- (e) *Re-opening of Trading.* The re-opening of trading following a Level 1 or 2 trading halt in a BSTX-Listed Security shall follow the procedures set forth in Rule 25040(c). The re-opening of trading following a Level 1 or 2 trading halt in a non-BSTX-Listed security shall follow the procedures set forth in Rule 25040(e)(5).
- (f) Nothing in this Rule should be construed to limit the ability of the Exchange to otherwise halt, suspend, or pause the trading in any Security or Securities traded on the Exchange in circumstances in which the Exchange deems it necessary to protect investors and the public interest, or pursuant to any other Exchange rule or policy.

(g) *Limit Up-Limit Down Mechanism*

- (1) *Definitions.*

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- i. The term “Plan” or “Limit Up-Limit Down Plan” or “LULD” means the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS under the Act, as amended from time to time.
 - ii. All capitalized terms not otherwise defined in this paragraph (e) shall have the meanings set forth in the Plan or Exchange rules, as applicable.
 - (2) Exchange Participation in the Plan. As of the time trading commences on BSTX, the Exchange is a Participant in, and subject to the applicable requirements of, the Plan, which establishes procedures to address extraordinary volatility in NMS Stocks.
 - (3) Participant Compliance. BSTX Participants shall comply with the applicable provisions of the Plan.
 - (4) Exchange Compliance with the Plan. The BSTX System shall not display or execute buy (sell) interest above (below) the Upper (Lower) Price Bands, unless such interest is specifically exempted under the Plan.
 - (5) Re-pricing and Cancellation of Interest. The BSTX System does not reprice orders. An orders that could be executed above (below) the Upper (lower) Price Band shall be canceled back to the BSTX Participant that submitted the order.
 - (6) Trading Pause during a Straddle State. The Exchange may declare a trading pause in accordance with Section VII of the Limit Up-Limit Down Plan (“Trading Pause”) for a Security listed on the Exchange when (i) the National Best Bid (Offer) is below (above) the Lower (Upper) Price Band and the Security is not in a Limit State; and (ii) trading in that Security deviates from normal trading characteristics.
 - (7) Re-opening of Trading following a Trading Pause. At the end of the Trading Pause, the Exchange shall re-open the security pursuant to the procedures set forth in Rule 25040(c).
- (h) All times referenced in this Rule 25050 shall be Eastern Time.

25060. Order Entry

- (a) Orders can be submitted to the BSTX System from commencement of pre-opening until market close. Submitted orders, once validated by the BSTX System, are time-stamped to within one millisecond.
- (b) On BSTX:
 - (1) a bid is represented as an order to buy (“buy order”);
 - (2) an offer is represented as an order to sell (“sell order”); and
 - (3) an execution, or trade, is defined as the matching of a buy order and sell order in the BSTX Book.

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(c) The following types of orders may be submitted to the BSTX System:

- (1) *Limit Order.* Limit Orders entered into the BSTX Book are executed at the price stated or better. Any residual volume left after part of a Limit Order has traded is retained in the BSTX Book until it is withdrawn by the BSTX Participant or the BSTX System at the end of the trading day, or traded (unless a designation described in paragraph (d) below is added which prevents the untraded part of a limit order from being retained). All Limit Orders are automatically withdrawn by the BSTX System at market close. If a BSTX Participant fails to specify a limit price with respect to its limit order, such order shall be rejected.
- (2) *Inter-market Sweep Orders.* The System will accept incoming Intermarket Sweep Orders (“ISO”) (as such term is defined in Regulation NMS). Incoming ISOs are immediately executable against orders in the BSTX System to which they are marketable. In order to be eligible for treatment as an Inter-market Sweep Order, the limit order must be marked “ISO” and the individual entering the order must simultaneously route one or more additional limit orders marked “ISO,” as necessary, to away markets to execute against the full displayed size of any protected quotation for the security with a price that is superior to the limit price of the ISO entered. Such orders, if they meet the requirements of the foregoing sentence, may be executed at one or multiple price levels in the BSTX System without regard to protected quotations at away markets consistent with Regulation NMS (i.e., may trade through such quotations). The Exchange relies on the marking of an order as an ISO when handling such order, and thus, the BSTX Participant entering the order, not the Exchange, has the responsibility to comply with the requirements of Regulation NMS relating to Intermarket Sweep Orders. An ISO:
 - i. Must be a limit order.
 - ii. Must have a time-in-force of IOC.
 - iii. Is not eligible for routing.
 - iv. Must be submitted with a limit price.
 - v. May be submitted during Regular Trading Hours.

(d) Where no order type is specified, the BSTX System will reject the order.

- (1) All orders, including those submitted during the Pre-Opening Phase, have a default time-in-force of “DAY.” DAY orders may queue during the Pre-Opening Phase or before the resumption of trading following a trading halt. DAY orders are only available for trading during Regular Trading Hours. Any DAY orders remaining unexecuted at the time of the BSTX close (4:00 p.m. Eastern Time) are canceled.
- (2) The following optional designations can be added to the order types referred to in paragraph (c) above:

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- i. Immediate-or-cancel (“IOC”). Orders entered into the BSTX System marked IOC are executed on BSTX in whole or in part, as soon as such order is received, and the portion not so executed is canceled. Orders marked IOC are never posted to the BSTX Book. Orders marked IOC are not accepted during the Pre-Opening Phase. Marking an order as IOC overrides the default time-in-force of DAY.
- (e) The identity of BSTX Participants who submit orders to the BSTX System will remain anonymous to market participants at all times, except during error resolution or through the normal settlement process.
- (f) Orders can be cancelled but not modified once they are held in the BSTX Book. The cancellation and submission of a new order will result in a time stamp being associated with the order for purposes of BSTX Book priority.
- (g) All orders will be canceled at market close.

25070. Audit Trail

- (a) *Order Identification*. When entering orders on the BSTX System, each BSTX Participant shall submit order information in such form as may be prescribed by the Exchange in order to allow BSTX to properly prioritize and match orders pursuant to Rule 25080 and report resulting transactions. A BSTX Participant must ensure that each order received from a Customer for execution on BSTX is recorded and time-stamped immediately. The order must be time-stamped again upon execution and also at the time of any modification or cancellation of the order by the Customer.
- (b) Order tickets relating to orders submitted to the BSTX System must contain the following information at a minimum:
 - (1) a unique order identification;
 - (2) the Security;
 - (3) Participant identification;
 - (4) Participant capacity;
 - (5) customer identification;
 - (6) buy/sell;
 - (7) quantity;
 - (8) price or price limit;
 - (9) special instructions; and
 - (10) such other information as may be required by the Exchange.
- (c) A BSTX Participant that employs an electronic system for order routing or order management which complies with Exchange requirements will be deemed to be

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complying with the requirements of this Rule if the required information is recorded in electronic form rather than in written form.

- (d) In addition to any related requirement under applicable securities laws, information recorded pursuant to this Rule must be retained by Participants for a period of no less than three (3) years after the date of the transaction.
- (e) While the identity of the individual/terminal completing the order ticket and the customer identification (the specific customer or account number) are not submitted in the order entry system, this type of specific information should be maintained as part of the BSTX Participant's books and records requirements, and if requested, must be provided to the Exchange.

25080. Execution and Price/Time Priority

Subject to the restrictions under these Exchange Rules or the Act and the rules and regulations thereunder, orders shall be matched for execution in accordance with this Rule.

- (a) *Ranking.* Orders of BSTX Participants shall be ranked and maintained in the BSTX Book according to price-time priority, such that within each price level, all orders shall be organized by the time of entry.
- (b) *Execution Against the BSTX Book.* For purposes of this Rule any order falling within the parameters of this paragraph shall be referred to as "executable." An order will be canceled back to the BSTX Participant if, based on the market conditions, BSTX Participant instructions, applicable Exchange Rules and/or the Act and the rules and regulations thereunder, such order is not executable and cannot be posted to the BSTX Book.
 - (1) *Compliance with Regulation SHO.* For any execution of a short sale order to occur on the Exchange when a short sale price test restriction is in effect, the price must be better than the NBB, unless the sell order was initially displayed by the System at a price above the then current NBB or is marked "short exempt" pursuant to Regulation SHO.
 - (2) *Compliance with Regulation NMS and Trade-Through Protection.* The BSTX System will ensure that any execution that occurs during the Regular Trading Hours, the price must be equal to or better than the Protected NBBO, unless the order is marked ISO or unless the execution falls within another exception set forth in Rule 611(b) of Regulation NMS.
 - (3) *Compliance with the Limit Up-Limit Down Plan.* For any executions to occur during Regular Trading Hours, such executions must comply with the Limit Up-Limit Down Plan, as set forth in Rule 25050.
 - (4) *Execution Against the BSTX Book.* An incoming order will attempt to be matched for execution against orders in the BSTX Book, as described below.

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- i. **Buy Orders.** An incoming order to buy will be automatically executed to the extent that it is priced at an amount that equals or exceeds the resting price of any order to sell in the BSTX Book and is executable, as defined above. Such order to buy shall be executed at the price(s) of the lowest priced order(s) to sell having priority in the BSTX Book.
- ii. **Sell Orders.** An incoming order to sell will be automatically executed to the extent that it is priced at an amount that equals or is less than the resting price of any other order to buy in the BSTX Book and is executable, as defined above. Such order to sell shall be executed at the price(s) of the highest priced order(s) to buy having priority in the BSTX Book.

25090. BSTX Risk Controls

- (a) *Maximum Order Size.* The BSTX System will prevent orders from executing or being placed on the BSTX Book if the size of the order exceeds the size protection designated by the BSTX Participant. The Exchange may provide default values and mandatory minimum levels for this size protection.
- (b) *Cancel-on-Disconnect.* BSTX Participants may elect for the BSTX System to cancel all resting orders of a BSTX Participant if the BSTX Participant disconnects from the BSTX System.
- (c) *Price Protection for Limit Orders.* Price Protection for Limit Orders is a feature that prevents incoming Limit Orders from being accepted if the order price is more than a specific amount or percentage outside the National Best Bid or Offer in the marketplace. The specific amount and percentage is provided by the BSTX Participant, and the Exchange may provide default values and mandatory minimum levels.
- (d) *Maximum Order Rate.* The Maximum Order Rate will reject an incoming order if the rate of orders received by the BSTX System from a BSTX Participant exceeds the BSTX Participant-provided maximum order rate. The Exchange may provide default values and mandatory minimum levels

25100. Trade Execution, Reporting, and Dissemination of Quotations

- (a) *Dissemination of Last Sale Information.* Executions occurring as a result of orders matched against the BSTX Book, pursuant to Rule 25080, shall be collected and disseminated.
- (b) The Exchange shall identify all trades executed pursuant to an exception or exemption from Rule 611 of Regulation NMS in accordance with specifications approved by the operating committee of the relevant national market system plan for an NMS stock. If a trade is executed pursuant to both the inter-market sweep order exception of Rule 611(b)(5) of Regulation NMS and the self-help exception of Rule 611(b)(1) of Regulation NMS, such trade shall be identified as executed pursuant to the inter-market sweep order exception

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- (c) *Display and Quotation Dissemination.* The BSTX System will operate as an “automated market center” within the meaning of Regulation NMS, and in furtherance thereof, will display “automated quotations” within the meaning of Regulation NMS at all times except in the event that a systems malfunction renders the BSTX System incapable of displaying automated quotations. All non-marketable Limit Orders are eligible to be displayed.
- (1) The aggregate of the best-ranked non-marketable Limit Order(s), pursuant to Rule 25080, to buy and the best-ranked non-marketable Limit Order(s) to sell in the BSTX Book shall be collected and made available to quotation vendors for dissemination pursuant to the requirements of Rule 602 of Regulation NMS. The Exchange will maintain connectivity and access to the Consolidated Tape Association (“CTA”) Plan and Unlisted Trading Privileges (“UTP”) Plan (collectively, “the SIPs”) for dissemination of quotation information.
- (d) *Trade Execution and Settlements.* Executions occurring as a result of orders matched against the BSTX Book, pursuant to Rule 25080, shall clear and settle pursuant to the rules, policies and procedures of a registered clearing agency.
- (e) *Obligation to Honor System Trades.*
- (1) If a BSTX Participant, or clearing member/participant acting on a BSTX Participant’s behalf, is reported by the BSTX System, or shown by the activity reports generated by the BSTX System, as constituting a side of a BSTX System trade, such BSTX Participant, or clearing member/participant acting on its behalf, shall honor such trade on the scheduled settlement date.
 - (2) The Exchange shall have no liability if a BSTX Participant, or a clearing member acting on the BSTX Participant’s behalf, fails to satisfy the obligations in paragraph (1).

25110. Clearly Erroneous Executions

- (a) *Definition.* For purposes of this Rule, the terms of a transaction executed on the BSTX System are “clearly erroneous” when there is an obvious error in any term, such as price, number of Securities or other unit of trading, or identification of the Security. A transaction made in clearly erroneous error and canceled by both parties or determined by the Exchange to be clearly erroneous will be removed from the Consolidated Tape.
- (b) *Request and Timing of Review.* A BSTX Participant that receives an execution on an order that was submitted erroneously to the Exchange for its own or customer account may request that the Exchange review the transaction under this Rule. An officer of BSTX or such other employee designee of BSTX (“Official”) shall review the transaction under dispute and determine whether it is clearly erroneous, with a view toward maintaining a fair and orderly market and the protection of investors and the public interest. Such request for review shall be made in writing via e-mail or other electronic means specified from time to time by the Exchange in a circular distributed to BSTX Participants.

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- (1) *Requests for Review.* Requests for review must be received by the Exchange within thirty (30) minutes of execution time and shall include information concerning the time of the transaction(s), security symbol(s), number of Securities, price(s), side (bought or sold), and factual basis for believing that the trade is clearly erroneous. Upon receipt of a timely filed request that satisfies the numerical guidelines set forth in paragraph (c)(1) of this Rule, the counterparty to the trade, if any, shall be notified by the Exchange as soon as practicable, but generally within thirty (30) minutes. An Official may request additional supporting written information to aid in the resolution of the matter. If requested, each party to the transaction shall provide any supporting written information as may be reasonably requested by the Official to aid resolution of the matter within thirty (30) minutes of the Official's request. Either party to the disputed trade may request supporting written information provided by the other party on the matter.
- (c) *Thresholds.* Determinations of whether an execution is clearly erroneous will be made as follows:
- (1) Subject to the provisions of paragraph (c)(3) below, a transaction executed during Regular Trading Hours shall be found to be clearly erroneous if the price of the transaction to buy (sell) that is the subject of the complaint is greater than (less than) the Reference Price by an amount that equals or exceeds the Numerical Guidelines set forth below. The Reference Price will be equal to the consolidated last sale immediately prior to the execution(s) under review except for in circumstances, such as, for example, relevant news impacting a security or securities, periods of extreme market volatility, sustained illiquidity, or widespread system issues, where use of a different Reference Price is necessary for the maintenance of a fair and orderly market and the protection of investors and the public interest.

Reference Price, Circumstance or Product	Regular Trading Hours Numerical Guidelines (Subject transaction's % difference from the Reference Price):
Greater than \$0.00 up to and including \$25.00	10%
Greater than \$25.00 up to and including \$50.00	5%
Greater than \$50.00	3%
Multi-Stock Event Filings involving five or more, but less than twenty, securities whose executions occurred within a period of five	10%

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minutes or less.	
Multi-Stock Event Filings involving twenty or more securities whose executions occurred within a period of five minutes or less.	30% subject to the terms of paragraph (c)(2) below

- (2) **Multi-Stock Events Involving Twenty or More Securities.** During Multi-Stock Events involving twenty or more securities the number of affected transactions may be such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest. In such circumstances, the Exchange may use a Reference Price other than consolidated last sale. To ensure consistent application across trading centers when this paragraph is invoked, the Exchange will promptly coordinate with the away trading centers to determine the appropriate review period, which may be greater than the period of five minutes or less that triggered application of this paragraph, as well as select one or more specific points in time prior to the transactions in question and use transaction prices at or immediately prior to the one or more specific points in time selected as the Reference Price. The Exchange will nullify as clearly erroneous all transactions that are at prices equal to or greater than 30% away from the Reference Price in each affected security during the review period selected by the Exchange and other markets consistent with this paragraph.
- (3) **Additional Factors.** An Official may also consider additional factors to determine whether an execution is clearly erroneous, including but not limited to, system malfunctions or disruptions, volume and volatility for the security, derivative securities products that correspond to greater than 100% in the direction of a tracking index, news released for the security, whether trading in the security was recently halted/resumed, whether the security is an initial public offering, whether the security was subject to a stock-split, reorganization, or other corporate action, overall market conditions, validity of the reported trades and quotes, consideration of primary market indications, and executions inconsistent with the trading pattern in the stock. Each additional factor shall be considered with a view toward maintaining a fair and orderly market and the protection of investors and the public interest.
- (d) **Outlier Transactions.** In the case of an Outlier Transaction, an Official may, in his or her sole discretion, and on a case-by-case basis, consider requests received pursuant to paragraph (b) of this Rule after thirty (30) minutes, but not longer than sixty (60) minutes after the transaction in question, depending on the facts and circumstances surrounding such request.
- (1) An “Outlier Transaction” means a transaction where the execution price of the security is greater than three times the current Numerical Guidelines set forth in paragraph (c)(1) of this Rule.

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- (2) If the execution price of the security in question is not within the Outlier Transaction parameters set forth in paragraph (d)(1) of this Rule but breaches the 52-week high or 52-week low, the Exchange may consider Additional Factors as outlined in paragraph (c)(2), in determining if the transaction qualifies for further review or if the Exchange shall decline to act.

(e) *Review Procedures*

- (1) *Determination by Official.* Unless both parties to the disputed transaction agree to withdraw the initial request for review, the transaction under dispute shall be reviewed, and a determination shall be rendered by the Official. If the Official determines that the transaction is not clearly erroneous, the Official shall decline to take any action in connection with the completed trade. In the event that the Official determines that the transaction in dispute is clearly erroneous, the Official shall declare the transaction null and void. A determination shall be made generally within thirty (30) minutes of receipt of the complaint, but in no case later than the start of Regular Trading Hours on the following trading day. The parties shall be promptly notified of the determination.
- (2) *Appeals.* If a BSTX Participant affected by a determination made under this Rule so requests within the time permitted below, the Chief Regulatory Officer of BSTX will review decisions made by the Official under this Rule, including whether a clearly erroneous execution occurred and whether the correct determination was made; provided however that the Chief Regulatory Officer of BSTX will not review decisions made by an Officer under paragraph (f) of this Rule if such Officer also determines under paragraph (f) of this Rule that the number of the affected transactions is such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest.
- i. A request for review on appeal must be made in writing via e-mail or other electronic means specified from time to time by BSTX in a circular distributed to BSTX Participant within thirty (30) minutes after the party making the appeal is given notification of the initial determination being appealed. The Chief Regulatory Officer of BSTX shall review the facts and render a decision as soon as practicable, but generally on the same trading day as the execution(s) under review.
 - ii. The Chief Regulatory Officer of BSTX may overturn or modify an action taken by the Official under this Rule. All determinations by the Chief Regulatory Officer of BSTX shall constitute final action by the Exchange on the matter at issue.
 - iii. Any determination by an Official or by the Chief Regulatory Officer shall be rendered without prejudice as to the rights of the parties to the transaction to submit their dispute to arbitration.
- (f) *System Disruption or Malfunctions.* In the event of any disruption or a malfunction in the operation of any electronic communications and trading facilities of BSTX in which the

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nullification of transactions may be necessary for the maintenance of a fair and orderly market or the protection of investors and the public interest exist, an Officer of BSTX or other senior level employee designee, on his or her own motion, may review such transactions and declare such transactions arising out of the operation of such facilities during such period null and void. In such events, the Officer of BSTX or such other senior level employee designee will rely on the provisions of paragraph (c) of this Rule, but in extraordinary circumstances may also use a lower Numerical Guideline if necessary to maintain a fair and orderly market, protect investors and the public interest. Absent extraordinary circumstances, any such action of the Officer of BSTX or other senior level employee designee pursuant to this paragraph (f) shall be taken within thirty (30) minutes of detection of the erroneous transaction. When extraordinary circumstances exist, any such action of the Officer of BSTX or senior level employee designee must be taken by no later than the start of Regular Trading Hours on the trading day following the date of execution(s) under review. Each BSTX Participant involved in the transaction shall be notified as soon as practicable by BSTX, and the party aggrieved by the action may appeal such action in accordance with the provisions of paragraph (e)(2) above.

- (g) *Officer Acting on Own Motion.* An Officer of BSTX or senior level employee designee, acting on his or her own motion, may review potentially erroneous executions and declare trades null and void or shall decline to take any action in connection with the completed trade(s). In such events, the Officer of BSTX or such other senior level employee designee will rely on the provisions of paragraph (c) of this Rule. Absent extraordinary circumstances, any such action of the Officer of BSTX or other senior level employee designee shall be taken in a timely fashion, generally within thirty (30) minutes of the detection of the erroneous transaction. When extraordinary circumstances exist, any such action of the Officer of BSTX or other senior level employee designee must be taken by no later than the start of Regular Trading Hours on the trading day following the date of execution(s) under review. When such action is taken independently, each party involved in the transaction shall be notified as soon as practicable by BSTX, and the party aggrieved by the action may appeal such action in accordance with the provisions of paragraph (e)(2) above.
- (h) *Securities Subject to Limit Up-Limit Down Plan.* For purposes of this paragraph, the phrase “Limit Up-Limit Down Plan” shall mean the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS under the Act. The provisions of paragraphs (a) through (g) above and (i) through (j) below shall govern all Exchange transactions, including transactions in securities subject to the Plan, other than as set forth in this paragraph (h). If as a result of an Exchange technology or systems issue any transaction occurs outside of the applicable price bands disseminated pursuant to the Plan, an Officer of the Exchange or senior level employee designee, acting on his or her own motion or at the request of a third party, shall review and declare any such trades null and void. Absent extraordinary circumstances, any such action of the Officer of the Exchange or other senior level employee designee shall be taken in a timely fashion, generally within thirty (30) minutes of the detection of the erroneous transaction. When extraordinary circumstances exist, any such action of the Officer of the Exchange or other senior level employee designee must be taken by no later than the start of Regular Market

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Hours on the trading day following the date on which the execution(s) under review occurred. Each BSTX Participant involved in the transaction shall be notified as soon as practicable by the Exchange, and the party aggrieved by the action may appeal such action in accordance with the provisions of paragraph (e)(2) above. In the event that a single plan processor experiences a technology or systems issue that prevents the dissemination of price bands, the Exchange will make the determination of whether to nullify transactions based on paragraphs (a) through (g) above and (i) through (j) below.

- (i) *Multi-Day Event.* A series of transactions in a particular Security on one or more trading days may be viewed as one event if all such transactions were effected based on the same fundamentally incorrect or grossly misinterpreted issuance information resulting in a severe valuation error for all such transactions (the “Event”). An Officer of BSTX or senior level employee designee, acting on his or her own motion, shall take action to declare all transactions that occurred during the Event null and void not later than the start of trading on the day following the last transaction in the Event. If trading in the Security is halted before the valuation error is corrected, an Officer of BSTX or senior level employee designee shall take action to declare all transactions that occurred during the Event null and void prior to the resumption of trading. Notwithstanding the foregoing, no action can be taken pursuant to this paragraph with respect to any transactions that have reached settlement date or that result from an initial public offering of a Security. Any action taken in connection with this paragraph will be taken without regard to the Numerical Guidelines set forth in this Rule. Each BSTX Participant involved in a transaction subject to this paragraph shall be notified as soon as practicable by the Exchange, and the party aggrieved by the action may appeal such action in accordance with the provisions of paragraph (e)(2) above.
- (j) *Trading Halts.* In the event of any disruption or malfunction in the operation of the electronic communications and trading facilities of BSTX or the responsible single plan processor in connection with the transmittal or receipt of a regulatory trading halt, suspension or pause, an Officer of BSTX or senior level employee designee, acting on his or her own motion, shall nullify any transaction in a security that occurs after the primary listing market for such security declares a regulatory trading halt, suspension or pause with respect to such security and before such regulatory trading halt, suspension or pause with respect to such security has officially ended according to the primary listing market. In addition, in the event a regulatory trading halt, suspension or pause is declared, then prematurely lifted in error and is then re-instituted, an Officer of BSTX or senior level employee designee shall nullify transactions that occur before the official, final end of the halt, suspension or pause according to the primary listing market. Any action taken in connection with this paragraph shall be taken in a timely fashion, generally within thirty (30) minutes of the detection of the erroneous transaction and in no circumstances later than the start of Regular Trading Hours on the trading day following the date of execution(s) under review. Any action taken in connection with this paragraph will be taken without regard to the Numerical Guidelines set forth in this Rule. Each BSTX Participant involved in a transaction subject to this paragraph shall be notified as soon as practicable by the Exchange, and the party aggrieved by the action may appeal such action in accordance with the provisions of paragraph (e)(2) above.

EXHIBIT 5A**25120. Short Sales**

- (a) *Marking*. All sell orders entered into the Exchange must be marked long, short, or short exempt.
- (b) *Definitions*. For purposes of this Rule, the terms “covered security,” “listing market,” and “national best bid” shall have the same meaning as in Rule 201 of Regulation SHO.
- (c) *Short Sale Price Test*. The BSTX System shall not execute or display a short sale order not marked short exempt with respect to a covered security at a price that is less than or equal to the current national best bid if the price of that security decreases by 10% or more, as determined by the listing market for the covered security, from the covered security's closing price on the listing market as of the end of Regular Trading Hours on the prior day (the “Trigger Price”).
- (d) *Determination of Trigger Price*. For covered securities, the BSTX System shall determine whether a transaction in a covered security has occurred at a Trigger Price and shall immediately notify the responsible single plan processor.
 - (1) If a covered security did not trade on BSTX on the prior trading day (due to a trading halt, trading suspension, or otherwise), BSTX’s determination of the Trigger Price shall be based on the last sale price on the BSTX System for that Security on the most recent day on which the Security traded.
- (e) *Duration of Short Sale Price Test*. If the Short Sale Price Test is triggered by the listing market with respect to a covered security, the Short Sale Price Test shall remain in effect until the close of trading on the next trading day, as provided for in Regulation SHO Rule 201(b)(1)(ii) (the “Short Sale Period”).
 - (1) If the Exchange determines pursuant to Rule 25110 that the Short Sale Price Test for a covered security was triggered because of a clearly erroneous execution, the Exchange may lift the Short Sale Price Test before the Short Sale Period ends for the Securities for which the Exchange is the listing market or, for Securities listed on another market, notify the other market of the Exchange’s determination that the triggering transaction was a clearly erroneous execution. The Exchange may also lift the Short Sale Price Test before the Short Sale Period ends, for a covered security for which the Exchange is the listing market, if the Exchange has been informed by another exchange or a self-regulatory organization (“SRO”) that a transaction in the covered security that occurred at the Trigger Price was a clearly erroneous execution, as determined by the rules of that exchange or SRO.
 - (2) If the Exchange determines that the prior day’s closing price for a listed Security is incorrect in the System and resulted in an incorrect determination of the Trigger Price, the Exchange may correct the prior day’s closing price and lift the Short Sale Price Test before the Short Sale Period ends.

25130. Locking or Crossing Quotations in NMS Stocks

- (a) *Definitions*. For purposes of this Rule 25130, the following definitions shall apply:

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- (1) The terms automated quotation, effective national market system plan, intermarket sweep order, manual quotation, NMS stock, protected quotation, regular trading hours, and trading center shall have the meanings set forth in Rule 600(b) of Regulation NMS.
 - (2) The term crossing quotation shall mean the display of a bid for an NMS stock during regular trading hours at a price that is higher than the price of an offer for such NMS stock previously disseminated pursuant to an effective national market system plan, or the display of an offer for an NMS stock during regular trading hours at a price that is lower than the price of a bid for such NMS stock previously disseminated pursuant to an effective national market system plan.
 - (3) The term locking quotation shall mean the display of a bid for an NMS stock during regular trading hours at a price that equals the price of an offer for such NMS stock previously disseminated pursuant to an effective national market system plan, or the display of an offer for an NMS stock during regular trading hours at a price that equals the price of a bid for such NMS stock previously disseminated pursuant to an effective national market system plan.
- (b) Prohibition. Except for quotations that fall within the provisions of paragraph (d) of this Rule, the BSTX System shall not make available for dissemination, and BSTX Participants shall reasonably avoid displaying, and shall not engage in a pattern or practice of displaying, any quotations that lock or cross a protected quotation, and any manual quotations that lock or cross a quotation previously disseminated pursuant to an effective national market system plan.
- (c) Exceptions.
- (1) The locking or crossing quotation was displayed at a time when the trading center displaying the locked or crossed quotation was experiencing a failure, material delay, or malfunction of its systems or equipment.
 - (2) The locking or crossing quotation was displayed at a time when a protected bid was higher than a protected offer in the NMS stock.
 - (3) The locking or crossing quotation was an automated quotation, and the BSTX Participant displaying such automated quotation simultaneously routed an intermarket sweep order to execute against the full displayed size of any locked or crossed protected quotation.
- (d) The BSTX System will reject any order or quotation that would lock or cross a protected quotation of another exchange at the time of entry.

25140. Clearance and Settlement, Anonymity

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(a) Each BSTX Participant must either (i) be a member of a registered clearing agency that uses a continuous net settlement (“CNS”) system, or (ii) clear transactions executed on the Exchange through another Participant that is a member of such a registered clearing agency. The Exchange will maintain connectivity and access to the Universal Trade Capture (“UTC”) of the National Securities Clearing Corporation (“NSCC”), a subsidiary of the Depository Trust & Clearing Corporation (“DTCC”), for transmission of executed transactions. If a BSTX Participant clears transactions through another BSTX Participant that is a member of a registered clearing agency (“clearing member”), such clearing member shall affirm to the Exchange in writing, through letter of authorization, letter of guarantee or other agreement acceptable to the Exchange, its agreement to assume responsibility for clearing and settling any and all trades executed by the BSTX Participant designating it as its clearing firm. The rules of any such clearing agency shall govern with respect to the clearance and settlement of any transactions executed by the BSTX Participant on the Exchange.

- (1) Solely at the discretion of the Exchange, a BSTX Participant may clear transactions executed on the Exchange through a non-BSTX Participant that is a member of a foreign clearing agency with which a registered clearing agency has an agreement of mutual recognition, and is permitted to clear transactions of the BSTX Participant in the registered clearing agency’s CNS system.
- (2) Each transaction executed within the BSTX System is executed on a locked-in basis and shall be automatically processed for clearance and settlement.
- (3) The transaction reports produced by the BSTX System will indicate the details of transactions executed in the BSTX System but shall not reveal contra party identities. Except as set forth in paragraph (4) below, transactions executed in the BSTX System will also be cleared and settled anonymously.
- (4) Except as required by any registered clearing agency, the Exchange will reveal the identity of a BSTX Participant or Participant’s clearing firm in the following circumstances:
 - i. For regulatory purposes or to comply with an order of a court or arbitrator;
or
 - ii. When a registered clearing agency ceases to act for a BSTX Participant or BSTX Participant’s clearing firm, and determines no to guarantee the settlement of the BSTX Participant’s trades.

25200 - Market Making on BSTX**25200. Registration as a BSTX Market Maker**

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Quotations and quotation sizes may be entered into the BSTX System only by a Participant registered as a BSTX Market Maker or other entity approved by the Exchange to function in a market-making capacity on the BSTX System.

- (a) A BSTX Market Maker may become registered in a Security by entering a registration request via an Exchange-approved electronic interface with the BSTX System or by contacting the BSTX Operations Center. Registration shall become effective on the next trading day after the registration is entered. The Exchange may, in its discretion, provide for a registration to become effective on the day the registration is entered and will provide notice to the prospective BSTX Market Maker in such event.
- (b) A BSTX Market Maker's registration in an issue shall be terminated by the Exchange if the Market Maker fails to enter quotations in the issue within five (5) business days after the Market Maker's registration in the issue becomes effective.

25210. Market Maker Obligations

A Participant registered as a BSTX Market Maker shall engage in a course of dealings for its own account to assist in the maintenance, insofar as reasonably practicable, of fair and orderly markets in accordance with this Rule.

(a) *Quotation Requirements and Obligations*

- (1) A Market Maker shall maintain continuous, two-sided trading interest in those Securities in which the Market Maker is registered to trade ("Two-Sided Obligation").
 - i. Two-Sided Quote Obligation. For each Security in which a Participant is registered as a BSTX Market Maker, the Participant 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 identified to the Exchange as the interest meeting the obligation and is displayed on the BSTX 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; provided, however, that a BSTX Market Maker may augment its Two-Sided Obligation size to display limit orders priced at the same price as the Two-Sided Obligation. A "normal unit of trading" shall be one Security. After an execution against its Two-Sided Obligation, a BSTX Market Maker must ensure that additional trading interest exists on the BSTX Book to satisfy its Two-Sided Obligation either by immediately entering new interest to comply with this obligation to maintain continuous two-sided quotations or identifying to BSTX current resting interest that satisfies the Two-Sided Obligation.
 - ii. Pricing Obligations. For Securities, a BSTX Market Maker shall adhere to the pricing obligations established by this Rule during Regular Trading

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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, and (ii) shall be suspended during a trading halt, suspension, or pause, and will 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 responsible single plan processor.

- A. Bid (Offer) Quotations. At the time of entry of bid (offer) interest satisfying the Two-Sided Obligation, the price of the bid (offer) interest shall be not more than the Designated Percentage lower (higher) than the National Best Bid (Offer), or if there is no National Best Bid (Offer), not more than the Designated Percentage away from the last reported sale. In the event that the National Best Bid (Offer) (or if no National Best Bid (Offer), the last reported sale) increases to a level that would cause the bid (offer) interest of the Two-Sided Obligation to be more than the Defined Limit away from the National Best Bid (Offer) (or if no National Best Bid (Offer), the last reported sale), or if the bid (offer) is executed or canceled, the BSTX Market Maker shall enter new bid (offer) interest at a price not more than the Designated Percentage away from the then current National Best Bid (Offer) (or if no National Best Bid (Offer), the last reported sale), or identify to the Exchange current resting interest that satisfies the Two-Sided Obligation.
 - B. For purposes of this Rule, the “Designated Percentage” shall be 30%.
 - C. For purposes of this Rule, the “Defined Limit” shall be 31.5%.
 - D. The minimum quotation increment for quotations shall be \$0.01.
- iii. Nothing in this Rule shall preclude a BSTX Market Maker from entering trading interest at price levels that are closer to the National Best Bid (Offer) in the marketplace than the levels required by this Rule.
- (2) A Market Maker shall maintain adequate minimum capital in accordance with the provisions of Rule 15c3-1 under the Securities Exchange Act of 1934;
 - (3) A Market Maker shall remain in Good Standing with the Exchange;
 - (4) A Market Maker shall inform the Exchange of any material change in financial or operational condition or in personnel.
 - (5) A Market Maker shall 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 entry into a correspondent

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clearing arrangement with another BSTX Participant that clears trades through such agency.

- (6) *Firm Quotations.* All interests to buy and sell entered into the BSTX System by BSTX Market Makers are firm and automatically executable for their size in the BSTX System by all BSTX Participants.
- (b) A Market Maker must satisfy the responsibilities and duties as set forth in paragraph (a) of this Rule during the Core Trading Hours on all days in which the Exchange is open for business.
- (c) If the Exchange finds any substantial or continued failure by a BSTX Market Maker to engage in a course of dealings as specified in paragraph (a) of this Rule, such BSTX Market Maker will be subject to disciplinary action or suspension or revocation of the registration by the Exchange in one or more of the Securities in which the BSTX Market Maker is registered. Nothing in this Rule will limit any other power of the Board of Directors under the Bylaws, Rules, or procedures of the Exchange with respect to the registration of a BSTX Market Maker or in respect to any violation by a BSTX Market Maker of the provisions of this Rule. In accordance with the Rule 13000 Series, a BSTX Participant may seek review of actions taken by the Exchange pursuant to this Rule.
- (d) *Temporary Withdrawal.* A BSTX Market Maker, other than a DMM, may apply to the Exchange to withdraw temporarily from its BSTX Market Maker status in the Security in which it is registered. The BSTX Market Maker must base its request on demonstrated legal or regulatory requirements that necessitate its temporary withdrawal, or provide the Exchange an opinion of counsel certifying that such legal or regulatory basis exists. The Exchange will act promptly on such request and, if the request is granted, the Exchange may temporarily reassign the Security to another BSTX Market Maker.

25220. Registration and Obligations of Designated Market Makers

- (a) *General.* BSTX-listed Securities may be assigned to a Designated Market Maker (“DMM”) and there will be no more than one DMM per BSTX-listed Security.
- (b) *Registration.* A Participant must be registered as a Market Maker and approved as a DMM to be eligible to receive an allocation as a DMM under Rule 25230.
- (1) Reserved.
- (2) BSTX Market Makers must file an application in writing in such form as required by the Exchange to be considered eligible to receive an allocation as a DMM. In reviewing an application, the Exchange may consider the BSTX Market Maker’s market making ability, capital available for market making, and such other factors as the Exchange deems appropriate, including those set forth in Rules 25230(f) and 25240. After reviewing the application, the Exchange will either approve or disapprove the applicant BSTX Market Maker’s registration as a DMM.

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- (3) A BSTX Participant registered as a DMM in a Security may also be registered as a Market Maker in such Security pursuant to Rule 25200 only if such BSTX Participant maintains information barriers between the trading unit operating as a DMM and the trading unit operating as a BSTX Market Maker in the same Security.
 - (4) A DMM may apply to withdraw temporarily from its DMM status in one or more assigned Securities. The DMM must base its request on demonstrated legal or regulatory requirements that necessitate its temporary withdrawal, or provide the Exchange an opinion of counsel certifying that such legal or regulatory basis exists. The Exchange will act promptly on such request and, if the request is granted, the Exchange may temporarily reassign the Security or Securities to another DMM. The DMM temporarily assigned such Security or Securities will be subject to the obligations set forth in paragraph (c) of this Rule when acting as a temporary DMM in such Security or Securities. The Exchange is not required to assign a DMM if the Security has an adequate number of BSTX Market Makers assigned to such Security.
 - (5) A DMM may not be registered in a Security of an issuer, or a partner or subsidiary thereof, if such entity is an approved person or affiliate of the DMM.
- (c) *DMM Obligations.* In addition to meeting the obligations set forth in Rule 25210 DMMs must maintain a bid or an offer at the National Best Bid and National Best and Offer (“inside”) at least 25% of the day as measured across all BSTX-listed Securities that have been assigned to the DMM. Time at the inside is calculated as the average of the percentage of time the DMM unit has a bid or offer at the inside.

25230. DMM Security Allocation and Reallocation

- (a) *Eligibility for Security Allocation and Reallocation.*
- (1) Reserved.
 - (2) A Security may be allocated to a DMM when such Security:
 - i. is initially listed on BSTX;
 - ii. must be reassigned under this Rule; or
 - iii. when a Security is currently listed without a DMM assigned.
 - (3) A DMM’s eligibility to participate in the allocation process is determined at the time the interview is scheduled by the Exchange.
 - (4) A DMM is eligible to participate in the allocation process of a listed Security if the DMM meets the quoting requirements specified in Rule 25220(c) (“DMM obligations”).
 - i. If a DMM fails to meet the DMM obligations for a one-month period, the

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Exchange will issue an initial warning to the DMM advising it of the poor performance. The DMM must provide a written explanation and articulation of corrective action.

- ii. If the DMM fails to meet the DMM obligations for a second consecutive month, the DMM will be ineligible to participate in the allocation process for a minimum of two months following the second consecutive month of its failure to meet its quoting requirement (“Penalty Period”). The DMM must satisfy the DMM obligations for the two consecutive months of the Penalty Period.
- iii. If a DMM fails to meet the DMM obligations for the two consecutive months of the Penalty Period, the DMM will remain ineligible to participate in the allocation process until it has met DMM obligations for a consecutive two-calendar month period.
- iv. The Exchange will review each DMM’s trading on a monthly basis to determine whether the DMM has satisfied its DMM obligations.

(b) *Allocation Process.* The issuer may select its DMM directly, delegate the authority to the Exchange to select its DMM, or opt to proceed with listing without a DMM, in which case a minimum of three non-DMM Market Makers must be assigned to its Security consistent with Rule 26106. After the Exchange provides written notice to DMMs that the issuer is listing on BSTX, no individual associated with a DMM may contact such issuer, or the Exchange if applicable, until the allocation is made, except as otherwise provided below.

(l) Issuer Selection of DMM Unit by Interview

- i. The issuer may select multiple DMMs to interview from the pool of DMMs eligible to participate in the allocation process.
- ii. Interview Between the Issuer and DMMs
 - A. DMMs selected for an interview may provide material to the Exchange, which will be given to the issuer prior to the scheduled interview. Such material may include a corporate overview of the DMM. DMMs are prohibited from giving issuers information about other DMMs or any additional market performance data.
 - B. Within five business days after the issuer selects the eligible DMMs to be interviewed (unless the Exchange has determined to permit a longer time period in a particular case), the issuer will meet with representatives of each of the DMMs. At least one representative of the listing company must be a senior official of the rank of Corporate Secretary or above of that company, or a designee of such senior official. In the case of the listing of a structured product, a senior officer of the issuer may be present in

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lieu of the Corporate Secretary. Representatives of each eligible DMM must participate in the meeting. Meetings will normally be held at the Exchange, unless the Exchange has agreed that they may be held elsewhere.

- C. Teleconference meetings will be permitted at the request of issuers in compelling circumstances.
- D. Following its interview, a DMM may not have any contact with an issuer. If an issuer has a follow-up question regarding any DMM(s) it interviewed, it must be conveyed to the Exchange. The Exchange will contact the DMM(s) to which the question pertains and will provide any available information received from the DMM(s) to the listing company.
- E. Within two business days of the issuer's interviews with the DMMs, the issuer will select its DMM in writing, signed by a senior official of the rank of Corporate Secretary or higher, or in the case of a structured product listing, a senior officer of the issuer, duly authorized to so act on behalf of the company. The Exchange will then confirm the allocation of the Security to that DMM, at which time the Security will be deemed to have been so allocated. An issuer may request an extension from the Exchange if the issuer is unable to complete its selection within the specified period.

(2) Exchange Selection of DMM by Delegation

- i. If the issuer delegates authority to the Exchange to select its DMM, an Exchange Selection Panel ("ESP") will be convened to select a DMM. The ESP will consist of three Exchange employees designated by the CEO of the Exchange. Such issuer may choose to submit a letter to the ESP indicating its preference and supporting justification for a particular DMM. The ESP may consider such letter in performing its duty to select a DMM for the issuer. The ESP may also interview one or more individuals associated with a DMM.
 - ii. The ESP will select the DMM and inform the issuer of its selection.
- (3) The DMM selected to receive the Security allocation will be required to remain the assigned DMM for one year from the date that the issuer begins trading on BSTX. The Exchange may shorten such period upon compelling circumstances.
- (4) *Spin-Off or Related Company.* If a listing company is a spin-off of or a company related to a listed company, the listing company may remain with the DMM registered in the related listed company or be allocated through the allocation process under paragraph (b) of this Rule. The Exchange will honor a request by a spin-off company or company related to a listed company to have its DMM

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selected by the Exchange under paragraph (b)(2) of this Rule instead of being allocated to the DMM that is its listed company's DMM. A DMM that is ineligible to receive a new allocation due to its failure to meet the DMM obligations will remain eligible to receive the spin-off and listing of related companies.

- (5) *Warrants*. A warrant issued by a listed company and traded on BSTX is allocated to the DMM registered in the underlying Security of the listed company. Upon request by the issuer, the warrant may be allocated through the allocation process under paragraph (b) of this Rule.
- (6) *Rights*. Rights traded on BSTX are not subject to the provisions of this Rule and are assigned, when issued, to a DMM by the Exchange.
- (7) *Relistings*. Relistings are treated as new listings and may be allocated through the allocation process under paragraph (b) of this Rule. If the relisting chooses to have its DMM selected by the Exchange under paragraph (b)(2) of this Rule and requests not to be allocated to its former DMM, such request will be honored. A DMM that is ineligible to receive a new allocation due to its failure to meet the DMM obligations will remain eligible to receive an allocation under this paragraph.
- (8) *Equity Security listing after Preferred Security*. When a company applies to list an issue of equity Securities after having listed a preferred issue, the equity Security is referred for allocation through the allocation process under paragraph (b) of this Rule. A DMM that is ineligible to receive a new allocation due to its failure to meet the DMM obligations will remain eligible to receive an allocation under this paragraph.
- (9) *Listed Company Mergers*. When two Exchange-listed companies merge, the merged company may select one of the DMMs trading the merging companies without the Security being referred for reallocation, or it may request that the matter be referred for allocation through the allocation process under paragraph (b) of this Rule. A DMM that is ineligible to receive a new allocation due to its failure to meet the DMM obligations will remain eligible to be selected pursuant to this paragraph in its capacity as the DMM for one of the two pre-merger companies, but will not be eligible to participate in the allocation process if the post-merger listed company requests that the matter be referred for allocation through the allocation process under paragraph (b) of this Rule.
 - i. If the merging company chooses to have its DMM selected by the Exchange under paragraph (b)(2) of this Rule, the company may not request that the Exchange not allocate the Security to one of the DMMs trading the merging company. A DMM that is ineligible to receive a new allocation due to its failure to meet the DMM obligations will remain eligible to receive an allocation under this paragraph.
 - ii. In situations involving the merger of a listed company and an unlisted

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company, the merged company may choose to remain registered with the DMM that had traded the listed company entity in the merger, or it may request that the matter be referred for allocation through the allocation process under paragraph (b) of this Rule. A DMM that is ineligible to receive a new allocation due to its failure to meet the DMM obligations will remain eligible to be selected pursuant to this paragraph in its capacity as the DMM for the pre-merger listed company, but will not be eligible to participate in the allocation process if the post-merger listed company requests that the matter be referred for allocation through the allocation process pursuant to paragraph (b) of this Rule.

- iii. If the unlisted company chooses to have its DMM selected by the Exchange pursuant to paragraph (b)(2) of this Rule, the company may not request that the Exchange exclude from consideration the DMM that had traded the listed company. A DMM that is ineligible to receive a new allocation due to its failure to meet the DMM obligations will remain eligible to receive an allocation under this paragraph.

(10) *Target Security.*

- i. If a tracking (“target”) Security (or Securities) is issued by a listed company, the listed company may choose to have its newly-issued tracking Security (or Securities) stay with the DMM registered in the listed company that issued the tracking Security (or Securities) or be referred for allocation through the allocation process under paragraph (b) of this Rule. A DMM that is ineligible to receive a new allocation due to its failure to meet the DMM obligations will remain eligible to receive an allocation under this paragraph.
- ii. If the listed company chooses to have the DMM of the tracking Security (or Securities) selected by the Exchange pursuant to paragraph (b)(2) of this rule, the DMM registered in such Security prior to a separate listing will remain registered in such Security after its separate listing, unless the listing company requests that the matter be referred for allocation through the allocation process under paragraph (b) of this Rule. In such a case, the Exchange will honor the company’s request not to be allocated to the DMM that had traded the target Security. A DMM that is ineligible to receive a new allocation due to its failure to meet the DMM obligations will remain eligible to receive an allocation under this paragraph.

- (11) *Closed-End Management Investment Companies (“Funds”).* Funds listing on BSTX will be subject to the allocation process under paragraph (b) of this Rule. If the issuer of an initial Fund lists additional funds within nine months from the date of its initial listing, the issuer may choose to maintain the same DMM for those subsequently listed funds or it may select a different DMM from the group of eligible DMMs that the issuer interviewed or reviewed in the allocation process for its initial fund. The fund may also delegate the selection of its DMM to the

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Exchange if it so chooses under paragraph (b)(2) of this Rule.

- i. If a DMM is ineligible from participating in an allocation at the time of a subsequent new Fund listing (within the designated nine-month period), that DMM will not be included for consideration for subsequent listings.
- ii. In any case where all the Funds in a group of closed-end management investment companies are being listed concurrently with a common investment adviser or investment advisers who are “affiliated persons” pursuant to the alternate criteria in Rule 26000 Series of the BSTX Listing Guide (for groups where one or more Funds do not meet the ordinary requirement for public market value of \$16,000,000), the entire group should be allocated to one DMM, unless there are factors, such as the number of funds in the group, the types of funds, or the relative values of the funds, that the Exchange believes make allocation to more than one DMM appropriate.

(c) *Reallocation Process.*

- (1) A listed company may file with the Corporate Secretary of the Exchange a written notice (the “Issuer Notice”), signed by the company’s chief executive officer, that it wishes to request a change of DMM. The Issuer Notice will indicate the specific issues prompting this request. The Corporate Secretary will provide copies of the Issuer Notice to the DMM currently registered in the Security and the Exchange’s staff.
 - i. Exchange staff will review the Issuer Notice and any DMM response and may request a review of the matter by the Exchange’s Regulatory Oversight Committee. No change of DMM may occur until Exchange staff makes a final determination that it is appropriate to permit such change. In making such determination, Exchange staff may consider all relevant regulatory issues, including without limitation whether the requested change appears to be in aid or furtherance of conduct that is illegal or violates Exchange rules, or in retaliation for a refusal by a DMM to engage in conduct that is illegal or violates Exchange rules. Notwithstanding Exchange staff review of any matter raised during the process described herein, the Exchange may at any time take any regulatory action that it may determine to be warranted.
 - ii. At the completion of the Exchange staff review, the Security will be put up for allocation under paragraph (b) of this Rule.
 - iii. No negative inference for allocation or regulatory purposes is to be made against a subject DMM in the event that a DMM is changed under paragraph (c) of this Rule. Similarly, the DMM will not be afforded preferential treatment in subsequent allocations as a result of a change pursuant to such provision.

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- (2) In any instance where a DMM's performance in a particular market situation was, in the judgment of the Exchange, so egregiously deficient as to call into question the Exchange's integrity or impair the Exchange's reputation for maintaining an efficient, fair, and orderly market, the CEO or his or her designee may immediately initiate a reallocation proceeding upon written notice to the DMM and the issuer specifying the reasons for the initiation of the proceeding.
- i. Following this decision, if the CEO or his or her designee makes a final determination that a Security should be referred for reallocation, the CEO or his or her designee will, in his or her expert business judgment, be responsible for reallocating the Security to one of the remaining DMMs eligible for allocation.
 - ii. The CEO or his or her designee will then make a final determination as to which one or more of the DMM's Security (or Securities) will be referred for reallocation. All determinations made by the CEO or his or her designee will be communicated in writing to the DMM, with a statement of the reasons for such determinations.
 - iii. A decision by the Exchange that one or more Securities should be reallocated will be final, subject to the DMM's right to have such decision reviewed by the Exchange's Board of Directors.
 - iv. In the event that a DMM asserts its right to review, no reallocation may occur until the Board of Directors completes its review.

(d) *Allocation Freeze Policy*. If a DMM:

- (1) loses its registration as a DMM in a Security as a result of proceedings under the Rule 12000 or 13000 Series as applicable;
- (2) or voluntarily withdraws its registration in a Security assigned to it as a result of possible proceedings under those rules, the DMM will be ineligible to apply for future allocations for the six month period immediately following the reassignment of the Security ("Allocation Prohibition").
 - i. Following the Allocation Prohibition, a second six-month period will begin during which a DMM may participate in the allocation process under Rule 25230(b), if Exchange staff determines that such DMM may participate in such allocation process. In making this determination, Exchange staff will consider the DMM's particular situation and may consider whether the DMM has taken one or more steps:
 - A. supplying additional manpower/experience;
 - B. making changes in professional staff;
 - C. attaining appropriate dealer participation;
 - D. enhancing back-office staff; and

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E. implementing more stringent supervision/new procedures.

- (e) *Allocation Sunset Policy*. Allocation decisions will remain effective with respect to any initial public offering listing company that lists on BSTX within 18 months of such decision. In situations in which the selected DMM merges or is involved in a combination within the 18-month period, the company may choose whether to stay with the selected DMM, or be referred to allocation. If a listing company does not list within 18 months, the matter will be referred for allocation through the allocation process under paragraph (b) of this Rule.
- (f) Criteria for applicants that are not currently DMMs to be eligible to be allocated a Security as a DMM.
- (1) Since an entity seeking to enter the DMM business does not have a history directly comparable to that of existing DMMs, the Exchange considers the following criteria with respect to such Participants.
 - i. The proposed DMM must demonstrate that it understands the DMM business, including the needs of issuers.
 - ii. The proposed DMM must demonstrate an ability and willingness to trade as necessary to maintain fair and orderly markets. If the proposed DMM or any of its participants is currently a DMM or market maker on any exchange, performance during the prior 12 months, as evidenced by available data maintained by such exchange that evaluates the quality of performance of the unit or its participants as a DMM or market maker on such exchange, will be considered by the Exchange.
 - iii. Other factors that will be considered by the Exchange include any action taken or warning issued within the past 12 months by any regulatory or self-regulatory organization against the unit or any of its participants with respect to any capital or operational problem, or any regulatory or disciplinary matter.

25240. DMM Combination Review Policy

- (a) No DMM will complete a “proposed combination” (as defined below in paragraph (b) of this rule) with one or more other DMMs unless the combination has been approved by the Exchange.
- (b) For purposes of this rule, a “proposed combination” means:
- (1) a transaction in which two or more DMMs agree to merge or otherwise combine their businesses, with the result that the total number of existing independent DMMs will be reduced;
 - (2) two or more DMMs agree to combine their businesses with the result that the existing number of DMMs will not be reduced, but one or more of the surviving units is substantially reduced in size; or

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- (3) a DMM merges or otherwise combines with a non-DMM business resulting in a change of control of the existing DMM.
- (c) Proponents of a DMM combination must make a written submission to the Office of the Corporate Secretary of the Exchange, discussing all the factors for review pursuant to subparagraph (d) below. The written submission should also address and discuss:
 - (1) performance in any securities, including Securities, received through previous combinations or transfers of registrations during the preceding two years;
 - (2) whether the proposed combined DMM will have a real-time surveillance system that monitors DMM trading and uses exception alerts to detect unusual trades or trading patterns;
 - (3) whether the proposed combined DMM will have disaster recovery facilities for its computer network and software; and
 - (4) whether the combined DMM will designate a senior staff member to be responsible for reviewing DMM performance data, with specific procedures for correcting any deficiencies identified.
- (d) The Exchange will consider the following criteria in its review of a proposed combination:
 - (1) the ability of the DMM resulting from the transaction to comply with Exchange rules, including Rules 25210 and 25220;
 - (2) whether the proposed combination minimizes both the potential for financial failure and the negative consequences of any such failure on the DMM system as a whole;
 - (3) whether the proposed combination maintains or increases operational efficiencies;
 - (4) the surviving DMM's commitment to the BSTX market, including but not limited to whether the constituent DMM:
 - i. works to support, strengthen and advance BSTX, its market and its competitiveness in relation to other markets;
 - ii. participates upon request in BSTX's marketing seminars, sales calls and other marketing initiatives seeking to attract order flow and new listings;
 - iii. accepts innovations in order-routing and other trade-support systems and willingness to make optimal use of the systems once they become fully operational;
 - iv. engages in efforts to streamline the efficiency of its own operations and its competitive posture;
 - v. The effect of the proposed combination on overall concentration of DMMs; and

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- (e) Where a proposed combination involves an organization that is not a DMM, consideration will entail an assessment of whether the organization will work to support, strengthen and advance BSTX, and its competitiveness in relation to other markets.
- (f) The Exchange will approve or disapprove a proposed combination within 10 business days based on its assessment of the criteria pursuant to subparagraph (d) above and, in the case of a proposed combination involving a non-DMM, its assessment of the additional criterion pursuant to subparagraph (e) above. The Exchange reserves the right to extend its review process if the information submitted by the proponents of the DMM combination is inadequate or requires additional time to review to enable the Exchange to reach a decision.
 - (1) The Exchange will approve a proposed combination if the proposed combination satisfies the criteria set forth in paragraph (d) of this Rule, and if the Exchange determines that the proposed combination would:
 - i. not create or foster concentration in the DMM business detrimental to the Exchange and its markets;
 - ii. foster competition among DMMs; and
 - iii. enhance the performance of the constituent DMM and the quality of the markets in the Securities involved.
- (g) The Exchange may condition its approval upon compliance by the resulting DMM with any steps the Exchange may specify to address any concerns it may have in regard to considerations of the above criteria.
- (h) In any instance where the Exchange does not approve a proposed DMM combination, the proponents of such proposed combination have a right to have such decision reviewed by the Exchange's Board of Directors.

26000 – BSTX LISTING RULES**26000. Definitions**

- (a) With respect to these BSTX Listing Standards, the following terms shall have the meanings specified in this Rule 26000. A term defined elsewhere in these Rules shall have the same meaning with respect to this Rule 26000 Series, unless otherwise defined below.
 - (1) The term “BSTX Listing Standards” or “BSTX Listing Requirements” refer to the Exchange's Rules, policies, and any supplemental material governing the listing of Securities on BSTX.
 - (2) The term “BSTX Protocol” refers to the specific requirements that a Security on BSTX must have in order to be admitted to trading on BSTX. The BSTX Protocol is made publicly available on the Exchange's website.

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- (3) The term “Covered Security” means a security described in Section 18(b) of the Securities Act of 1933.
- (4) The term “Initial Security Offering” means the public offering of a company’s equity Security where such security being the company’s Primary Equity Security.
- (5) The terms “public distribution” and “public Security holders” as used herein include both shareholders of record and beneficial holders, but are exclusive of the holdings of officers, directors, controlling shareholders and other concentrated (i.e. 10% or greater), affiliated or family holdings.
- (6) The term “Primary Equity Security” means a company’s first class of common stock, equity Securities, Ordinary Shares, Shares or Certifications of Beneficial Interest of Trust, Limited Partnership Interests, or American Depositary Receipts (“ADRs”) or Shares (“ADRs”).
- (7) The term “Round Lot” means 100 Securities of a particular issuer.
- (8) The term “shareholder” means a record or beneficial owner of a security, including a Security.

26101. General

The approval of an application for the listing of a Security for trading on BSTX is a matter solely within the discretion of the Exchange. The Exchange has established certain minimum numerical standards, set forth below. The fact that an applicant may meet the Exchange’s numerical standards does not necessarily mean that its application will be approved. Other factors which will also be considered include, but are not limited to, the nature of an issuer’s business, the market for its products, its regulatory history, its past corporate governance activities, the reputation of its management, its historical record and pattern of growth, its financial integrity (including, but not limited to, any filing for protection under any provision of the federal bankruptcy laws or comparable foreign laws, the issuance by an issuer’s independent accountants of a disclaimer opinion on financial statements required to be audited, or failure to provide a required certification along with financial statements), its demonstrated earning power and its future outlook.

For an Initial Security Offering on BSTX, a company’s Security must meet the following requirements:

(a) Initial Listing Standard 1

- (1) Size—Security holder’s equity of at least \$4,000,000.
- (2) Income—Pre-tax income from continuing operations of at least \$750,000 in its last fiscal year (with operating history of at least one year), or in two of its last three fiscal years.
- (3) Distribution— Meet the standard in Rule 26102(a).
- (4) Aggregate Market Value of Publicly Held Securities – \$3,000,000.
- (5) Security Price/Market Value of Securities Publicly Held—See Rule 26102(b).

EXHIBIT 5A**(b) Initial Listing Standard 2**

- (1) History of Operations—Two years of operations.
- (2) Size—Security holder’s equity of at least \$5,000,000.
- (3) Distribution— Meet the standard in Rule 26102(a).
- (4) Aggregate Market Value of Publicly Held Securities—\$15,000,000.
- (5) Security Price/Market Value of Securities Publicly Held—See Rule 26102(b).

(c) Initial Listing Standard 3

- (1) Size—Security holder’s equity of at least \$4,000,000.
- (2) Total Value of Market Capitalization—\$50,000,000.
- (3) Aggregate Market Value of Publicly Held Securities—\$15,000,000.
- (4) Distribution— Meet the standard in Rule 26102(a).
- (5) Security Price/Market Value of Securities Publicly Held—See Rule 26102(b).

(d) Initial Listing Standard 4

- (1) Total Value of Market Capitalization—\$75,000,000; or Total assets and total revenue—\$75,000,000 each in its last fiscal year, or in two of its last three fiscal years.
- (2) Aggregate Market Value of Publicly Held Securities—\$20,000,000.
- (3) Distribution— Meet the standard in Rule 26102(a).
- (4) Security Price/Market Value of Securities Publicly Held—See Rule 26102(b).

- (e) For purposes of this Rule 26101(e), a “Reverse Merger” means any transaction whereby an operating company becomes an Exchange Act reporting company by combining directly or indirectly with a shell company which is an Exchange Act reporting company, whether through a reverse merger, exchange offer, or otherwise. However, a Reverse Merger does not include the acquisition of an operating company by a listed company which qualified for initial listing under Rule 26119. In determining whether a company is a shell company, the Exchange will consider, among other factors: whether the Company is considered a “shell company” as defined in Rule 12b-2 under the Exchange Act; what percentage of the company’s assets are active versus passive; whether the company generates revenues, and if so, whether the revenues are passively or actively generated; whether the company’s expenses are reasonably related to the revenues being generated; how many employees work in the company’s revenue-generating business operations; how long the company has been without material business operations; and whether the company has publicly announced a plan to begin operating activities or generate revenues, including through a near-term acquisition or transaction. In order to qualify for initial listing, a company that is formed by a Reverse Merger (a “Reverse Merger Company”) must comply with one of the initial listing standards set forth in Rules 26101 (a)—(d) and the applicable requirements of Rule 26102. In addition to satisfying all of

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the Exchange's other initial listing requirements, a Reverse Merger Company shall be eligible to submit an application for initial listing only if the combined entity has, immediately preceding the filing of the initial listing application:

- (1) traded for at least one year in the U.S. over-the-counter market, on another national securities exchange or on a regulated foreign exchange following the consummation of the Reverse Merger and (i) in the case of a domestic issuer, has filed with the Commission a Form 8-K containing all of the information required by Item 2.01(f) of Form 8-K, including all required audited financial statements, after the consummation of the Reverse Merger, or (ii) in the case of a foreign private issuer, has filed all of the information described in (i) above on Form 20-F;
- (2) maintained a closing price equal to the Security price requirement applicable to the initial listing standard under which the Reverse Merger Company is qualifying to list for a sustained period of time, but in no event for less than 30 of the most recent 60 trading days prior to the filing of the initial listing application; and
- (3) filed with the Commission all required reports since the consummation of the Reverse Merger, including the filing of at least one annual report containing all required audited financial statements for a full fiscal year commencing on a date after the date of filing with the Commission of the filing described in (1) above.

In addition, in order to qualify for listing, a Reverse Merger Company must have timely filed all required reports for the most recent 12-month period prior to the listing date.

In addition, a Reverse Merger Company will be required to maintain a closing price equal to the Security price requirement applicable to the initial listing standard under which the Reverse Merger Company is qualifying to list for a sustained period of time, but in no event for less than 30 of the most recent 60 trading days prior to the date of the Reverse Merger Company's listing.

The Exchange may in its discretion impose more stringent requirements than those set forth above if the Exchange believes it is warranted in the case of a particular Reverse Merger Company based on, among other things, an inactive trading market in the Reverse Merger Company's securities, the existence of a low number of publicly held shares that are not subject to transfer restrictions, if the Reverse Merger Company has not had a Securities Act registration statement or other filing subjected to a comprehensive review by the Commission, or if the Reverse Merger Company has disclosed that it has material weaknesses in its internal controls which have been identified by management and/or the Reverse Merger Company's independent auditor and has not yet implemented an appropriate corrective action plan.

A Reverse Merger Company will not be subject to the requirements of this Rule 26101(e) if it is listing in connection with a firm commitment underwritten public offering where the proceeds to the Reverse Merger Company will be at least \$40,000,000 and the offering is occurring subsequent to or concurrently with the Reverse Merger. In addition, a Reverse Merger Company will not be subject to the requirement of this Rule 26101(e) that it must maintain a closing price equal to the Security price requirement applicable to the initial listing standard under which the

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Reverse Merger Company is qualifying to list for at least 30 of the most recent 60 days prior to each of the filing of the initial listing application and the date of the Reverse Merger Company's listing, if it has satisfied the one-year trading requirement contained in paragraph (1) above and has filed at least four annual reports with the Commission which each contain all required audited financial statements for a full fiscal year commencing after filing the information described in paragraph (1) above. However, such companies will be required to (i) comply with the applicable price requirement of Rule 26102(b) at the time of each of the filing of the initial listing application and the date of the Reverse Merger Company's listing and (ii) not be delinquent in their filing obligations with the Commission. In either of the cases described in this paragraph, the Reverse Merger Company will only need to meet the requirements of one of the financial initial listing standards in Rule 26101(a) in addition to all other applicable non-financial listing standard requirements, including, without limitation, the requirements of Rules 26102(a) and 26102(b) and the applicable corporate governance requirements of the Rule 26800 Series.

(f) Reserved.

(g) Closed-End Management Investment Companies—The Exchange will generally authorize the listing of a closed-end management investment company registered under the Investment Company Act of 1940 (a “Closed-End Fund”) that meets the following criteria:

- (1) Size—market value of publicly held Securities or net assets of at least \$20,000,000; or
- (2) A Closed-End Fund which is part of a group of Closed-End Funds which are or will be listed on BSTX, and which are managed by a common investment adviser or investment advisers who are “affiliated persons” as defined in Section 2(a)(3) of the Investment Company Act of 1940 as amended (the “Group”), is subject to the following criteria:
 - i. The Group has a total market value of publicly held Securities or net assets of at least \$75,000,000;
 - ii. The Closed-End Funds in the Group have an average market value of publicly held Securities or net assets of at least \$15,000,000; and
 - iii. Each Closed-End Fund in the Group has a market value of publicly held Securities or net assets of at least \$10,000,000.
- (3) Distribution—See Rule 26102(a).

(h) Additional criteria applicable to various classes of Securities and issuers are set forth below. Applicants should also consider the policies regarding conflicts of interest, independent directors and voting rights described in Rules 26120-26125.

(i) Initial Listing Requirements for Secondary Classes.

- (1) When the Primary Equity Security is listed on BSTX or is a Covered Security, a company's secondary class as an equity Security must meet all of the requirements in Rules (i) through (iv) below in order to be listed.

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- i. Minimum bid price of at least \$4 per Security;
 - ii. At least 100 Round Lot holders;
 - iii. At least 200,000 publicly held Securities; and
 - iv. Market value of publicly held Securities of at least \$3.5 million.
- (2) In the event the company's Primary Equity Security is not listed on BSTX or is not a Covered Security, the secondary class as an equity Security may be listed on BSTX so long as it satisfies the initial listing criteria for Securities set forth in the initial listing standards outlined above in Rule 26101.
 - (3) The listing requirements for preferred Securities can be found in Rule 26103.
 - (4) For the avoidance of doubt, the provisions of Rule 26102 shall not apply to this paragraph (i) of Rule 26101.

IM-26101-01 Corporate Governance Standards

In addition to the numerical listing standards, the Exchange has adopted certain corporate governance listing standards, which are set forth in Rule 26800 Series.

IM-26101-02

Reserved

26102. Equity Issues

- (a) Distribution— meet a least one of the following standards:
 - (1) minimum public distribution of 1,000,000 Securities together with a minimum of 400 public Security holders.
- (b) Stock Price/Market Value of Securities Publicly Held—The Exchange requires a minimum market price of \$4 per Security for applicants seeking to qualify for listing pursuant to Rule 26101.
- (c) Voting Rights—See Rule 26122.

26103. Preferred Securities

The listing of preferred issues is considered on a case by case basis, in light of the suitability of the issue for trading on BSTX.

The Exchange, as a general rule, will not consider listing the convertible preferred Securities of a company unless current last sale information is available with respect to the underlying common stock or equity Security into which the preferred Security is convertible.

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Companies applying for listing of a preferred Security are expected to meet the following criteria:

- (a) **Size and Earnings**—The company appears to be in a financial position sufficient to satisfactorily service the dividend requirements for the preferred Security and meets the size and earnings criteria set forth in Rule 26101 above.
- (b) **Distribution**—In the case of an issuer whose Primary Equity Security is listed on BSTX or is a Covered Security, the preferred Security must satisfy one of the following standards:

(1) Preferred Security Distribution Standard 1.

Publicly Held Securities	100,000
Aggregate Public Market Value/Price	\$2,000,000/\$10

(2) Preferred Security Distribution Standard 2.

- i. Minimum bid price of at least \$4 per Security;
- ii. At least 100 Round Lot holders;
- iii. At least 200,000 Publicly Held Securities; and
- iv. Market Value of Publicly Held Securities of at least \$3.5 million.

To ensure adequate public interest in the preferred Security of non-listed issuers, the Exchange has established the following standards, which shall apply to all subsections of this paragraph (b):

Preferred Securities Publicly Held	400,000
Public Round-Lot Security Holders	800
Aggregate Public Market Value/ Minimum Bid Price	\$4,000,000/\$10

Alternatively, in the event the Company's Primary Equity Security is not listed on BSTX or is not a Covered Security, the preferred Security may be listed on BSTX so long as it satisfies the initial listing criteria for Securities set forth in the initial listing standards outlined above in Rule 26101.

- (c) **Voting Rights**—See Rule 26124.

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- (d) Conversion Provisions—The Exchange will not list convertible preferred Securities containing a provision which gives the company the right, at its discretion, to reduce the conversion price for periods of time or from time to time unless the company establishes a minimum period of ten business days within which such price reduction will be in effect.

26104. Reserved**26105. Warrant Securities**

The listing of warrant Securities is considered on a case by case basis. The Exchange will not consider listing the warrant Security of a company unless the equity Security or other class of Securities underlying the warrants are listed and in good standing on BSTX and there are at least 200,000 warrant Securities publicly held by not less than 100 public warrant holders; provided such standards are met, the Exchange may also consider the listing of warrant Securities of a company if the security underlying the warrants is a Covered Security and in good standing on their primary market. In addition, to be listed, warrant Securities issues are expected to meet the following criteria:

- (a) Exercise Provisions—The Exchange will not list warrant Securities containing provisions which give the company the right, at its discretion, to reduce the exercise price of the warrants for periods of time, or from time to time, during the life of the warrants unless (i) the company undertakes to comply with any applicable tender offer regulatory provisions under the federal securities laws, including a minimum period of 20 business days within which such price reduction will be in effect (or such longer period as may be required under the SEC's tender offer rules) and (ii) the company promptly gives public notice of the reduction in exercise price in a manner consistent with the Exchange's immediate release policy set forth in Rule 26401 and 26402 hereof. The Exchange will apply the requirements in the preceding sentence to the taking of any other action that has the same economic effect as a reduction in the exercise price of a listed warrant. This policy will not preclude the listing of warrant Securities for which regularly scheduled and specified changes in the exercise price have been previously established at the time of issuance of the warrants.
- (b) Warrant issuers are advised that the Exchange requires advance notice of any extension of the Expiration Date of the Security warrants. It is suggested that warrant issuers provide at least two months notice in this regard, but in no event less than 20 days. (See Rule 26920.)
- (c) Whenever a company having warrants listed on BSTX effects a split of 3 for 2 or greater in the underlying Security or security, the Exchange requires that a corresponding split be made in the warrants.

26106. Market Maker Requirement

- (a) Unless otherwise provided, all Securities listed pursuant to the BSTX Listing Standards must meet one of the following requirements:
- (1) DMM Requirement: a DMM must be assigned to the Security; or

EXHIBIT 5A**(2) Active Market Maker Requirement:**

- i. For initial inclusion the Security must have at least three registered and active Market Makers; and
- ii. For continued listing, a Security must have at least two registered and active Market Makers, one of which may be a Market Maker entering a stabilizing bid.

26107. Reserved**26108. Assessable Securities**

The Exchange will not accept applications to list assessable securities.

26109. Canadian Companies

The financial criteria for listing Securities of Canadian companies are the same as for United States companies (see Rule 26101). With respect to public distribution (Rule 26102), consideration will be given to the total number of Security holders and publicly held Securities in Canada and the United States. Current U.S. market interest will also be considered in evaluating the suitability of the issue for trading BSTX.

26110. Reserved**26111. One Product/One Customer Complaints**

As indicated in Rule 26101, the character of the market for an applicant's products is an important element in considering original listing applications. Thus, even though a particular company meets all BSTX's numerical criteria, it may not be eligible for listing if it:

- (a) produces a single product or line of products or engages in a single service; and/or
- (b) sells such product or products to, or performs such service for, only one or a limited number of customers.

26112 - 26116 Reserved**26117. Paired Securities**

The Exchange may consider the listing of paired Securities (that is, Securities which may be transferred and traded only in combination with one another as a single economic unit) based on the ability of the combined entity to satisfy the size and earnings criteria set forth in Rule 26101.

In the event the pairing agreement is terminated, the entity which initially met the original listing standards need only satisfy the Exchange's continued listing standards in order to remain on BSTX. The other entity, however, which at the time of listing did not by itself qualify under Rule 26101, must, at the time of termination, meet both the financial (Rule 26101) and distribution (Rule 26102) standards in order to remain listed on BSTX.

26118. Reserved

EXHIBIT 5A**26119. Listing of Companies Whose Business Plan Is to Complete One or More Acquisitions**

Generally, the Exchange will not permit the initial or continued listing of a company that has no specific business plan or that has indicated that its business plan is to engage in a merger or acquisition with an unidentified company or companies.

However, in the case of a company whose business plan is to complete an initial public offering and engage in a merger or acquisition with one or more unidentified companies within a specific period of time, the Exchange will permit the listing if the company meets all applicable initial listing requirements, as well as the conditions described below.

- (a) At least 90% of the gross proceeds from the initial public offering and any concurrent sale by the company of equity Securities must be deposited in a trust account maintained by an independent trustee, an escrow account maintained by an “insured depository institution”, as that term is defined in Section 3(c)(2) of the Federal Deposit Insurance Act, or in a separate bank account established by a registered broker or dealer (collectively, a “deposit account”).
- (b) Within 36 months of the effectiveness of its initial public offering registration statement, or such shorter period that the company specifies in its registration statement, the company must complete one or more business combinations having an aggregate fair market value of at least 80% of the value of the deposit account (excluding any deferred underwriter’s fees and taxes payable on the income earned on the deposit account) at the time of the agreement to enter into the initial combination.
- (c) Until the company has satisfied the condition in paragraph (b) above, each business combination must be approved by a majority of the company’s independent directors.
- (d) Until the company has satisfied the condition in paragraph (b) above, if the company holds a shareholder vote on a business combination for which the company must file and furnish a proxy or information statement subject to Regulation 14A or 14C under the Securities Exchange Act of 1934 in advance of the shareholder meeting, the business combination must be approved by a majority of the Securities voting at the meeting at which the combination is being considered. If a shareholder vote on the business combination is held, public Security holders voting against a business combination must have the right to convert their Securities into a pro rata share of the aggregate amount then in the deposit account (net of taxes payable and amounts distributed to management for working capital purposes) if the business combination is approved and consummated. A company may establish a limit (set no lower than 10% of the Securities sold in the initial public offering) as to the maximum number of Securities with respect to which any shareholder, together with any affiliate of such shareholder or any person with whom such shareholder is acting as a “group” (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934), may exercise such conversion rights. For purposes of this paragraph (d), public shareholder excludes officers and directors of the company, the company’s sponsor, the founding shareholders of the company, any family

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member or affiliate of any of the foregoing persons, and other concentrated holdings of 10% or more. For purposes of this Rule, “family member” means a person’s spouse, parents, children and siblings, whether by blood, marriage or adoption, or anyone residing in such person’s home.

- (e) Until the company has satisfied the condition in paragraph (b) above, if a shareholder vote on the business combination is not held for which the company must file and furnish a proxy or information statement subject to Regulation 14A or 14C under the Securities Exchange Act of 1934, the company must provide all shareholders with the opportunity to redeem all their Securities for cash equal to their pro rata share of the aggregate amount then in the deposit account (net of taxes payable and amounts distributed to management for working capital purposes), pursuant to Rule 13e-4 and Regulation 14E under the Securities Exchange Act of 1934, which regulate issuer tender offers. The company must file tender offer documents with the Securities and Exchange Commission containing substantially the same financial and other information about the business combination and the redemption rights as would be required under Regulation 14A of the Securities Exchange Act of 1934, which regulates the solicitation of proxies.
- (f) Until the company completes a business combination where all conditions in paragraph (b) above are met, the company must notify the Exchange on the appropriate form about each proposed business combination. Following each business combination, the combined company must meet the requirements for initial listing. If the company does not meet the requirements for initial listing following a business combination or does not comply with one of the requirements set forth above, the Exchange shall commence delisting proceedings under Rule 27010 to delist the company’s Securities. The company shall not be eligible to follow the procedures to cure deficiencies outlined in Rule 27009.

26120. Certain Relationships and Transactions

Related party transactions must be subject to appropriate review and oversight by the company’s Audit Committee or a comparable body of the Board of Directors.

26121. Corporate Governance

Each listed issuer must satisfy the Corporate Governance requirements of the Rule 26800 Series.

26122. Voting Rights

The following voting rights policy is based upon, but more flexible than, former SEC Rule 19c-4. Accordingly, the Exchange will permit corporate actions or issuances by listed companies that would have been permitted under Rule 19c-4, as well as other actions or issuances that are not inconsistent with the new Policy. In evaluating such other actions or issuances, the Exchange will consider, among other things, the economics of such actions or issuances and the voting rights being granted. The Exchange’s interpretations under the Policy will be flexible, recognizing that both the capital markets and the circumstances and needs of listed companies change over time. The text of the Exchange’s Voting Rights Policy is as follows:

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Voting rights of existing shareholders of publicly traded common stock or equity Securities registered under Section 12 of the Exchange Act cannot be disparately reduced or restricted through any corporate action or issuance. Examples of such corporate action or issuance include, but are not limited to, the adoption of time-phased voting plans, the adoption of capped voting rights plans, the issuance of super voting Securities or stock, or the issuance of Securities or stock with voting rights less than the per share voting rights of the existing equity Securities or common stock through an exchange offer.

IM-26122-1 Companies with Dual Class Structures

The above restriction against the issuance of super voting stock or Securities is primarily intended to apply to the issuance of a new class of Security or stock, and companies with existing dual class capital structures would generally be permitted to issue additional Securities or shares of the existing super voting stock or Securities without conflict with this policy.

IM-26122-2 Consultation with the Exchange

Violation of the Exchange's Voting Rights Policy could result in the loss of an issuer's exchange market or public trading market. The Policy can apply to a variety of corporate actions and securities issuances, not just super voting or so-called "time phase" voting. While the Policy will continue to permit actions previously permitted under Rule 19c-4, it is extremely important that listed companies communicate their intentions to their Exchange representatives as early as possible before taking any action or committing to take any action that may be inconsistent with the Policy. The Exchange urges listed companies not to assume, without first discussing the matter with the Exchange, that a particular issuance of equity or preferred Securities, or the taking of some other corporate action will necessarily be consistent with the Policy. It is suggested that copies of preliminary proxy or other material concerning matters subject to the Policy be furnished to the Exchange for review prior to formal filing.

IM-26122-3 Review of Past Voting Rights Activities

In reviewing an application for initial listing on the Exchange, the Exchange will review the issuer's past corporate actions to determine whether another SRO has found any of the issuer's actions to have been a violation or evasion of the SRO's voting rights policy. Based on such review, the Exchange may take any appropriate action, including the denial of the listing or the placing of restrictions on such listing. The Exchange will also review whether an issuer seeking initial listing on the Exchange has requested a ruling or interpretation from another SRO regarding the application of that SRO's voting rights policy with respect to a proposed transaction. If so, the Exchange will consider that fact in determining its response to any ruling or interpretation that the issuer may request on the same or similar transaction.

IM-26122-4 Non-U.S. Companies

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The Exchange will accept any action or issuance relating to the voting rights structure of a non-U.S. company that is in compliance with the Exchange's requirements for domestic companies or that is not prohibited by the Company's home country law.

26123. Quorum

The Exchange expects that an appropriate quorum of the Securities issued and outstanding and entitled to vote will be provided for by the by-laws of companies applying for the original listing of voting Securities. The Exchange recommends a quorum of at least 33 1/3%. If less is specified, the Exchange should be consulted before filing the original listing application.

26124. Preferred Voting Rights

- (a) Upon default—To be eligible for listing, the holders of a preferred Security should acquire the right, voting as a class, to elect at least two members of the company's board of directors no later than two years after an incurred default in the payment of fixed dividends.
- (b) In all cases—The Exchange may decline to list a preferred Security, unless preferred Security holders have the right, voting as a class, to vote on:
 - (1) Alteration of Existing Provisions:
 - i. Approval by the holders of at least two-thirds of the outstanding preferred Securities should be required for adoption of any charter or by-law amendment that would materially affect existing terms of the preferred Security.
 - ii. If all series of a class of preferred Security are not equally affected by a proposed change to the existing terms of the preferred Security, a two-thirds approval of the class and a two-thirds approval of the series that will have a diminished status should be required to authorize such change.
 - iii. The charter should not hinder the preferred Security holders' right to alter the terms of a preferred Security by limiting modification to specific items, e.g., interest rate, redemption price.
 - (2) Creation of a Senior Issue:
 - i. Creation of a senior issue should require approval of at least two-thirds of the outstanding preferred Securities. The board of directors may create a senior series of preferred Security without a vote by an existing series if such action was authorized by preferred Security holders at the time the existing series was created.
 - ii. A vote by an existing class of preferred Security is not required for the creation of a senior issue if the existing class received adequate notice of redemption to occur within 90 days. However, a vote by an existing class is required if all or part of the existing issue is being retired with proceeds from the sale of the new issue.

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- (3) Increase in Authorized Amount or Creation of a Pari Passu Issue: An increase in the authorized amount of a class of preferred Security or the creation of a pari passu issue should be approved by at least a majority of the outstanding Securities of the class or classes to be affected. The board of directors may increase the authorized amount of a series or create an additional series ranking pari passu without a vote by the existing series if such action was authorized by preferred Security holders at the time the class of preferred Security was created.

26125. Reserved**26126. Limited Partnerships**

No Security issued in a limited partnership rollup transaction (as defined by Section 14(h) of the Exchange Act), shall be eligible for listing unless (i) the rollup transaction was conducted in accordance with procedures designed to protect the rights of limited partners as provided in Section 6(b)(9) of the Exchange Act, as it may from time to time be amended and (ii) a broker-dealer which is a member of a national securities association subject to Section 15A(b)(12) of the Exchange Act participates in the rollup transaction. The issuer shall further provide the Exchange with an opinion of counsel stating that such broker-dealer's participation in the rollup transaction was conducted in compliance with the rules of a national securities association designed to protect the rights of limited partners, as specified in the Limited Partnership Rollup Reform Act of 1993.

In addition to any other applicable requirements, each limited partnership listed on the Exchange shall have a corporate general partner or co-general partner which must satisfy the independent director and audit committee requirements of Rule 26803.

Note: The only currently existing national securities association subject to Section 15A(b)(12) of the Act is FINRA. Its rules designed to protect the rights of limited partners, pursuant to the Limited Partnership Rollup Reform Act of 1993, are specified in FINRA Rule 2310.

26127. Use of Discretionary Authority

The Exchange may use its authority under the BSTX Listing Standards to deny initial or continued listing to an issuer when the issuer and/or an individual associated with the issuer has a history of regulatory misconduct. Such individuals are typically an officer, director, substantial security holder (as defined in IM-26127-1 below) or consultant to the issuer. In making this determination, the Exchange shall consider a variety of factors, including the severity of the violation; whether it involved fraud or dishonesty; whether it was securities-related; whether the investing public was involved; when the violation occurred; how the individual has been employed since the violation; whether there are continuing sanctions against the individual; whether the individual made restitution; whether the issuer has taken effective remedial action; and the totality of the individual's relationship to the issuer.

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Based on this review, the Exchange may determine that the regulatory history rises to the level of a public interest concern, but may also consider whether remedial measures proposed by the issuer, if taken, would allay that concern. Examples of such remedial measures could include the individual's resignation from officer and director positions; divestiture of holdings; terminations of contractual arrangements between the issuer and the individual; or the establishment of a voting trust surrounding the individual's shares or Securities. Alternatively, the Exchange may conclude that a public interest concern is so serious that no remedial measure would be sufficient to alleviate it. In the event that the Exchange makes such a determination, the issuer may seek review of that determination through the procedures set forth in the Rule 27200 Series.

The Exchange may also use its discretionary authority, for example, when an issuer files for protection under any provision of the federal bankruptcy laws or comparable foreign laws, when an issuer's independent accountants issue a disclaimer opinion on financial statements required to be audited, or when financial statements do not contain a required certification.

In addition, pursuant to its discretionary authority, the Exchange shall review an issuer's past corporate governance activities. This review may include activities taking place while the issuer is listed on the Exchange or another marketplace that imposes corporate governance requirements, as well as activities taking place after a formerly listed issuer is no longer listed on the Exchange or such marketplace. Based on such review, and in accordance with Exchange listing requirements, the Exchange may take any appropriate action, including placing restrictions on or adding requirements for listing, or denying listing of a Security if the Exchange determines that there have been violations or evasions of corporate governance standards. Such determinations shall be made on a case-by-case basis as necessary to protect investors and the public interest.

Although the Exchange has broad discretion to impose additional or more stringent criteria, the rules do not provide a basis for the Exchange to grant exemptions or exceptions from the enumerated criteria for initial or continued inclusion, which may be granted solely pursuant to rules explicitly providing such authority.

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An interest consisting of more than either 5% of the number of shares of common stock plus any Securities representing common equity or 5% of the voting power outstanding of an issuer or party shall be considered a substantial interest and cause the holder of such an interest to be regarded as a substantial security holder.

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26130. Original Listing Applications

Applicants must register the Security to be listed under Section 12(b) of the Exchange Act (Rule 26210) and submit an original listing application (Rule 26211).

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In addition, the applicant must provide a legal opinion that the applicant's Security is a security under applicable United States securities laws.

26131. Additional Listings; Cancellation of Listing Authority

Following listing, companies and their registrars are not permitted to issue or countersign any Securities in excess of those authorized for listing, until the Exchange has approved an additional listing application covering the additional Securities as described in Rules 26301-26306. Listing authority for a particular purpose may be cancelled as described in Rule 26350. In addition, where any unlisted company acquires a listed company, the criteria for original listing may be applicable as specified in Rule 26341.

26132. Listing Agreements

In addition to meeting the foregoing criteria, companies applying for listing enter into agreements with the Exchange and become subject to its rules, regulations and policies applicable to listed companies.

Among other things, listed companies are required to:

- (a) Timely Disclosure and Related Notices—Comply with the Exchange's timely disclosure policies and related notice requirements (Rules 26401-26404, 26920-26924);
- (b) Dividends, Splits and Distributions—Comply with the Exchange's regulations governing these transactions (Rules 26304, 26501-26507);
- (c) Accounting, Annual and Quarterly Reports—Furnish Security holders with annual reports and release quarterly sales and earnings (Rules 26603-26624). (Companies not having common stock or equity Securities listed on the Exchange are required to send annual *and* quarterly reports to Security holders.);
- (d) Shareholders' Meetings, Approval and Voting—Hold annual shareholders' meetings and submit certain proposed option plans and acquisitions to shareholders for approval (Rules 26701-26713); and
- (e) Additional Information—The Exchange may request any additional information or documentation, public or non-public, deemed necessary to make a determination regarding a Security's continued listing, including but not limited to, any material provided to or received from the SEC or other appropriate regulatory authority. A listed company may be delisted if it fails to provide such information within a reasonable period of time or if any communication (including communications made in connection with an initial listing application (See Rule 26211(e)) to the Exchange contains a material misrepresentation or omits material information necessary to make the communication to the Exchange not misleading.

26133. Delisting

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Listed companies are subject to the Exchange's delisting rules, policies, and procedures (Rules 27001-27011 and 27201-27211).

26134. Filing Requirements

The Exchange's filing, notice and submission requirements to the Exchange are set forth in Rule 27101.

26135. Uniform Book-Entry Settlement

- (a) Each BSTX Participant shall use the facilities of a securities depository for the book-entry settlement of all transactions in depository eligible securities with another BSTX Participant or a member of a national securities exchange or a registered securities association.
- (b) Each BSTX Participant shall not effect a delivery-versus-payment or receipt-versus-payment transaction in a depository eligible security with a customer unless the transaction is settled by book-entry using the facilities of a securities depository.
- (c) For purposes of this rule, the term "securities depository" shall mean a securities depository registered as a clearing agency under Section 17A of the Securities Exchange Act of 1934.
- (d) The term "depository eligible securities" shall mean securities that (i) are part of an issue (securities identified by a single CUSIP number) of securities that is eligible for deposit at a securities depository and (ii) with respect to a particular transaction, are eligible for book-entry transfer at the depository at the time of settlement of the transaction.
- (e) This rule shall not apply to transactions that are settled outside of the United States.
- (f) The requirements of this rule shall supersede any inconsistent requirements under other Exchange rules.
- (g) This rule shall not apply to any transaction where the securities to be delivered in settlement of the transaction are not on deposit at a securities depository and:
 - (1) if the transaction is for same-day settlement, the deliverer cannot by reasonable efforts deposit the securities in a securities depository prior to the cut-off time established by the depository for same-day crediting of deposited securities, or
 - (2) the deliverer cannot by reasonable efforts deposit the securities in a depository prior to a cut-off date established by the depository for that issue of securities.

26136. Direct Registration System Participation

All securities initially listing on BSTX, except securities which are book-entry only, must be eligible for a Direct Registration Program operated by a clearing agency registered under Section 17A of the Act. A foreign issuer, as defined under Rule 3b-4 under the Act, including a Foreign Private Issuer, shall not be subject to this requirement if it submits to the Exchange a written statement from an independent counsel in such Company's home country certifying that a law or regulation in the home country prohibits compliance.

EXHIBIT 5A**26137. Depository Eligibility**

Before any issue of Securities of an issuer is listed on the Exchange, the Exchange shall have received a representation from the issuer that a CUSIP number identifying the Securities has been included in the file of eligible issues maintained by a securities depository registered as a clearing agency under Section 17A of the Securities Exchange Act of 1934 (“securities depository” or “securities depositories”), except that this Rule shall not apply to a security if the terms of the security do not and cannot be reasonably modified to meet the criteria for depository eligibility at all securities depositories.

26138. BSTX Protocol

For a Security to be admitted to dealings on BSTX, such Security must follow the BSTX Protocol as distributed by the Exchange via Regulatory Circular available on the Exchange’s website.

26139. Issuer Conversion

The Exchange is aware that an issuer may have a current security traded as a non-Security. As such, if the issuer intends to transition the security to trading on BSTX as a Security, the Exchange will evaluate trading in the current security to determine whether it satisfies the BSTX Listing Standards. For example, when the Exchange examines the public distribution requirements that require a minimum level of publicly held Securities, the Exchange will instead consider how many shares are currently traded in the issuer’s non-Security issue.

26140. Additional Requirements for BSTX-Listed Securities Issued by the Exchange or its Affiliates

(a) For purposes of this Rule 26140, the terms below are defined as follows:

- (1) “Exchange Affiliate” means the Exchange and any entity that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the Exchange, where “control” means that the one entity possesses, directly or indirectly, voting control of the other entity either through ownership of capital stock or other equity securities or through majority representation on the board of directors or other management body of such entity.
- (2) “Affiliate Security” means any security or Security issued by an Exchange Affiliate or any Exchange-listed option on any such security.

(b) Upon initial and throughout continued listing of the Affiliate Security on the Exchange, the Exchange shall:

- (1) file a report quarterly with the Commission detailing the Exchange’s monitoring of:
 - i. the Exchange Affiliate’s compliance with the BSTX Listing Requirements;
 - and

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- ii. the trading of the Affiliate Security, which shall include summaries of all related surveillance alerts, complaints, regulatory referrals, trades canceled or adjusted, investigations, examinations, formal and informal disciplinary actions, exception reports and trading data of such security.
- ② engage an independent accounting firm once a year to review and prepare a report on the Affiliate Security to ensure that the Exchange Affiliate is in compliance with the BSTX Listing Requirements and promptly forward to the Commission a copy of the report prepared by the independent accounting firm.

In the event that the Exchange determines that the Exchange Affiliate is not in compliance with any of the BSTX listing requirements, the Exchange shall file a report with the Commission within five business days of providing notice to the Exchange Affiliate of its non-compliance. The report shall identify the date of non-compliance, type of non-compliance and any other material information conveyed to the Exchange Affiliate in the notice of non-compliance. Within five business days of receipt of a plan of compliance from the Exchange Affiliate, the Exchange shall notify the Commission of such receipt, whether the plan of compliance was accepted by the Exchange or what other action was taken with respect to the plan and the time period provided to regain compliance with the BSTX Listing Requirements, if any.

26200 – Original Listing Procedures**26201. Confidential Pre-Application Review of Eligibility**

A company seeking to list its Securities for trading on BSTX must participate in a confidential pre-application eligibility review by the Exchange in order to determine whether it meets the Exchange's listing criteria. Once a company has cleared such review, it may file an original listing application pursuant to Rule 26202 seeking Exchange listing approval of its Securities.

Preliminary discussions with the Exchange on important matters in connection with the confidential pre-application eligibility review may be undertaken by company officials interested in listing with the assurance that careful security measures have been adopted by the Exchange to avoid revealing any confidential information which the company may disclose.

The information needed for the purpose of conducting a confidential pre-application eligibility review is set forth in Rule 26210 through Rule 26222.

26202. Original Listing Steps

There are normally seven steps in the original listing process following successful completion of the confidential pre-application eligibility review described in Rule 26201:

- (a) company files original listing application and supporting papers with Exchange;
- (b) company files Exchange Act registration statement and exhibits with SEC;

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- (c) Exchange reserves ticker symbol;
- (d) Exchange approves listing;
- (e) Exchange allocates Security to a DMM (if applicable);
- (f) SEC Exchange Act registration statement becomes effective; and
- (g) Security is admitted to dealings.

26203. Reserved**26204. Ticker Symbol**

Applicants may request a particular trading symbol. Although every effort will be made to reserve the symbol requested, there is no assurance that it will be available. Request for a particular symbol should be made as early in the listing process as possible.

26205. Policy Regarding Allocation of Securities to DMMs

A company may choose either to be assigned a DMM by the Exchange, or to select its own DMM. Alternatively, a company may elect, or the Exchange may determine, that in lieu of a DMM a minimum of three (3) market makers will be assigned to the Security upon initial listing and may be reduced in a manner consistent with Rule 26106.

The Exchange makes every effort to see that each Security is allocated in the best interests of the company and its shareholders, as well as that of the public and the Exchange. For information regarding the DMM Allocation Procedure, please contact the Exchange.

26206 – 26209. Reserved**26210. Registration under the Exchange Act**

- (a) SEC Forms—A Security approved for listing by the Exchange must be registered under Section 12(b) of the Securities Exchange Act of 1934 before it may be admitted to trading on BSTX. Exchange Act registration is required even though the applicant may have previously registered all or part of the Securities under the Securities Act. However, a Security which has already been registered under Section 12(g) of the Exchange Act, or has recently been the subject of a public offering registered under the Securities Act, may normally be registered under Section 12(b) of the Exchange Act for Exchange trading on SEC Form 8-A. In addition, Securities of an issuer which has another class or series of securities registered on another national securities exchange may also use SEC Form 8-A. If an applicant does not have a class of securities registered under Exchange Act Section 12(g) or another class of securities registered on a national securities exchange, SEC Form 10 may be required.

The Exchange will furnish a sample SEC Form 8-A with instructions. Applicants should prepare and file the SEC registration statement and exhibits concurrently with the

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Exchange listing application and exhibits.

- (b) **Effective Date**—Registration under Section 12(b) of the Exchange Act cannot become effective until after the issue has been approved for listing by the Exchange. Upon such approval, the Exchange is required to certify to the SEC that it has received its copy of the registration statement and has approved the particular Securities for listing and registration. Registration of a class of Securities on Form 8-A becomes effective automatically upon the later of the filing of the Form 8-A with the SEC, the SEC's receipt of certification from the Exchange, or (if the class of Securities is concurrently being registered under the Securities Act) the effectiveness of the related Securities Act registration statement. Registration other than on Form 8-A becomes effective automatically 30 days after receipt by the SEC of the Exchange's certification, but may become effective within a shorter period, by order of the SEC, on request for acceleration of the effective date made by the company to the SEC.
- (c) **Copies**—One manually signed copy of the Exchange Act registration statement, including exhibits, must be filed with the listing application.

26211. Original Listing Application – General

- (a) **Form**—A typewritten listing application (signed by an executive officer of the applicant), together with all appropriate attachments, as outlined below, and one copy only of each of the required exhibits, should be filed with the Exchange for examination. If any deficiencies are noted, or any changes are considered necessary in the form or contents of the application and exhibits, the applicant will be notified.
- (b) **Incorporation by Reference**—A copy of the following documents should be attached to each original listing application submitted and the information contained therein may be incorporated by reference (see Rule 26212):
 - (1) latest Form 10-K Annual Report, Form 10-Q Quarterly Report(s) and Form 8-K Current Report(s) for periods subsequent to the latest Form 10-K (or comparable periodic reports filed with the appropriate regulatory agency of the applicant pursuant to the Securities Exchange Act of 1934), and latest proxy statement for annual meeting of shareholders; or
 - (2) a prospectus declared effective by the SEC which contains the latest audited financial statements of the applicant, Form 10-Q Quarterly Report(s) and Form 8-K Current Report(s) (or comparable periodic reports filed with the appropriate regulatory agency of the applicant pursuant to the Securities Exchange Act of 1934), for periods subsequent to the effective date of the prospectus, and latest available proxy statement for meeting of shareholders. In the event a Form 10-Q Quarterly Report (or comparable periodic report) for a quarter ended more than 45 days before the date of the listing application is not required to be filed with the SEC (or other appropriate regulatory agency), financial information comparable to that which would have been included in the Form 10-Q Quarterly Report shall be filed with the Exchange as part of the listing application; and

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- (3) latest annual report distributed to shareholders; and
 - (4) such other information, documents or materials as may be deemed appropriate by the Exchange for inclusion in the applicant's listing application.
- (c) **Listing Fee**—A check should accompany the submission. (See the Exchange's fee schedule for computation of amount.)
- (d) **Accounting Review**—A company's financial statements may be submitted to the Exchange's consulting accountants for review as to compliance with Exchange requirements and generally accepted accounting principles ("GAAP").
- (e) The Exchange may request any additional information or documentation, public or non-public, deemed necessary to make a determination regarding a Security's initial listing eligibility, including, but not limited to, any material provided to or received from the SEC or other appropriate regulatory authority. An issuer may be denied initial listing if it fails to provide such information within a reasonable period of time or if any communication to the Exchange contains a material misrepresentation or omits material information necessary to make a communication to the Exchange not misleading.

26212. Content of Original Listing Application—Securities

Each company must submit an application for original listing, in the form prescribed by the Exchange, together with supporting exhibits specified in Rule 26306 (See sample application in BSTX Listing Supplement).

26213. Exhibits to Be Filed with Original Listing Application—Securities

In support of the original listing application, a company must file one copy of the Listing Agreement, executed by an executive officer of the applicant, on a listing form supplied by the Exchange. In addition, the Exchange may request copies of such other documents as are necessary to complete its review of an issuer's eligibility for listing.

26214. Oil and Gas and Mining Companies—Additional Papers to Be Filed

Oil and Gas Companies—In addition to the exhibits required of all applicants, companies which have an interest in oil and gas properties as a material part of their business must submit the following:

Engineer's Reserve Report. Report of recent date, of qualified engineer, including estimate of proven reserves. The report shall be accompanied by a signed statement of the engineer's qualifications. The Exchange recommends and may, in fact, require the submission of the report of a qualified independent engineer not in the regular employ of the company.

Mining Companies—In addition to the exhibits required of all applicants, companies which own or operate mines as a material part of their business must submit the following:

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Table of Lands. A tabular list of mineral and other lands (separate lists for producing and non-producing properties), each property designated by number or claim name. If any property is held under lease, specify terms. Submit separate lists for properties held directly and those held through subsidiaries.

Engineer's Mining and Reserve Report. Report, of recent date, of qualified engineer. The report shall be accompanied by a signed statement of the engineer's qualifications. (In certain cases, the Exchange may require the submission of the report of a qualified independent engineer not in the regular employ of the applicant.)

In the case of mines which are developing, the engineer's report must contain:

- (a) recommendations regarding the development program;
- (b) estimate as to amount of additional funds which will be required to complete the development program as outlined; and
- (c) estimate of length of time required to complete such development program.

26215. Reserved

26216. Reserved

26217. Content of Original Listing Application – Security Warrants

Generally, an original listing application for a Security warrant issue will follow the format for all other Securities, as set forth in Rules 26211-26212.

26218 - 26229. Reserved

26230. Security Architecture Responsibility and Audit

- (a) Prior to approving a Security for trading on BSTX, the Exchange will conduct an audit of the Security's architecture to ensure compliance with the BSTX Protocol as outlined in Rule 26138. An applicant that is denied pursuant to this section may appeal the decision via the process outlined in the Rule 27200 Series.
- (b) A listed company remains responsible for ensuring that its Security remains compatible with the BSTX Protocol and accurately reflects the number of shares outstanding. Notice of any modification by a BSTX-listed company to a smart contract corresponding to a Security (e.g., to increase the total supply) must be provided to the Exchange at least 5 calendar days in advance of implementation of such modification to allow the Exchange to audit the proposed modification. To the extent additional time is needed to appropriately implement the modification, the Exchange may exercise its authority to suspend the ancillary recordkeeping process pursuant to Rule 17020(e).

26300 – Additional Listings

EXHIBIT 5A**26301. Agreement to List Additional Securities**

A listed company is not permitted to issue, or to authorize its transfer agent or registrar to issue or register, additional Securities of a listed class until it has filed an application for the listing of such additional Securities and received notification from the Exchange that the Securities have been approved for listing.

The Exchange's approval is contingent upon the Securities being issued for the purpose, and under the terms and conditions, authorized by the company's Board of Directors and as specified in the listing application. If, after approval of listing by the Exchange, the company desires to make a change in the specified purpose of the issuance, or in the specified terms and conditions of the issuance, the Exchange may require an amendment to the prior application or cancel the previous listing approval and require a further listing application.

Registration of listed Securities with the SEC or removal of transfer restrictions do not constitute changes pursuant to this rule and therefore would not require an amended application.

26302. Purpose of Agreement

The Exchange regards the agreement to list additional Securities as an essential safeguard for shareholders of listed companies.

An additional listing application supplies the Exchange pertinent information concerning the purpose for which the Securities are being issued, and updates information concerning the applicant.

The Exchange also reviews each additional application to determine if shareholder approval will be required as a condition to approval (see Rules 26711-26713). It is important to note that treasury Securities may not be reissued, without first obtaining shareholders approval, for any purpose where the rules or policies of the Exchange would require such approval had the Securities to be issued been previously authorized but unissued.

26303. Steps in the Additional Listing Process

There are normally four steps in the additional listing process. They are:

- (a) company decides to issue additional amounts of a listed Security for any purpose whatsoever;
- (b) company submits an additional listing application, in the form prescribed by the Exchange, signed by an officer of the issuer, one to two weeks in advance of the date on which Exchange approval is necessary, together with supporting exhibits specified in Rule 26306 (See sample application in the BSTX Supplemental Listing Materials);
- (c) the Exchange reviews and, if necessary, comments on the additional listing application; and

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(d) the Exchange approves the application.

26304. Listing of Securities Pursuant to a Dividend or Forward Split

Securities to be issued in a forward split or dividend must be listed prior to the distribution date of such action. A company must complete the Reconciliation Sheet provided in the Exchange's form of application, as of the record date of the scheduled distribution.

26305. Listing of Securities Pursuant to a Reverse Split/Substitution Listing

A substitution listing application is necessary whenever a company engages in a reverse split, re-incorporates, proposes to list a new class of Securities in substitution for a previously listed class of Securities or otherwise engages in a transaction which would require it to file a new Form 8-A with the SEC in regard to a previously listed security.

26306. Exhibits to Be Filed with Additional Listing Applications

The following is a list of exhibits to be filed with additional listing applications.

(1) Contract. A copy of each executed contract, plan or agreement pursuant to which the additional Securities applied for are to be issued.

(2) Financial Statements of Acquired Company. If the Securities to be listed are to be issued in connection with the acquisition of a controlling interest in, or of substantially all of the assets subject to the liabilities of, another company, the most recent audited financial statements, supplemented by the latest interim statements. In cases where independently audited financial statements are not available, a manually signed statement certified by the chief accounting officer of such other company must be submitted.

(3) Engineering Report. If the Securities applied for are to be issued in acquisition of a stock interest in another company, or properties or other assets, furnish one copy of any engineering, geological or appraisal report which may have been obtained in connection with the proposed acquisition.

(4) Listing Agreement. A company must execute a new listing agreement in support of every substitution listing except in the case of a reverse split.

26307 – 26330 Reserved**26331. Time Schedule**

The Exchange considers additional listing applications as promptly as practicable after receipt (normally within 5 to 10 business days). The listing application must be approved by the Exchange prior to issuance of the additional amount, or the effective date of the change or modification, of the previously listed Security. Accordingly, applications should be filed at least one to two weeks in advance of the date by which the applicant wishes action taken. In the case of a proposed charter amendment under which a previously listed Security is to be changed into a

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new Security (“substitution listing”), the time schedule should be so arranged that the substitution of the new Security for the old Security may be effected without any interruption in trading.

When it is essential that the Securities be fully qualified for admission to trading by a certain date, the Exchange should be consulted at the earliest possible moment in order that a satisfactory time schedule may be arranged. This is particularly important in the case of rights or exchange offerings.

26332. Fees for Listing Additional Securities

Upon receipt of the listing application in relation to any application for the listing of additional Securities, the Exchange will send the listed company an invoice for the applicable listing fees (see the Exchange’s fee schedule for computation of amount). The listed company is required to promptly submit the applicable fee in the manner specified by the Exchange’s invoice.

26333. Registration with the Securities and Exchange Commission

- (a) Securities Act of 1933—If required under the Securities Act, registration must be effective prior to the admission of the Security to dealings on the Exchange. If such registration covers additional Securities or amounts of a previously listed Security, the listing application should be filed with the Exchange while the Securities Act registration is pending, so that the additional amount may be authorized for listing in advance of, and subject to, the effectiveness of such registration.
- (b) Securities Exchange Act of 1934—No application for registration under the Exchange Act on Form 8-A, or otherwise, is required to be filed with the SEC for additional Securities or amounts of a previously listed and registered security. If the application covers a substitution listing, a registration statement (usually on Form 8-B) must be filed with the SEC and the Exchange.

26334 – 26339. Reserved**26340. Subscription Rights**

A listed company must promptly disclose any action taken by it with respect to the allotment of rights to subscribe or rights or benefits pertaining to the ownership of its Securities. It is further required to give prompt notice of any such action to the Exchange to afford the holders of such Securities a proper period within which to record their interests and exercise their rights. These requirements are further explained in paragraphs (a) through (h) below.

The Exchange will not admit subscription rights to dealings unless the underlying Security is or will be listed on BSTX.

- (a) Steps—Following is the sequence of steps to be taken in connection with the admission of subscription rights to dealings:
 - (1) submit timetable including:

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- i. date of filing with SEC of registration statement under Securities Act;
 - ii. date on which listing application will be filed with the Exchange;
 - iii. effective date of registration statement or offering circular;
 - iv. record date of Security holders entitled to receive subscription rights;
 - v. mailing date of subscription rights to Security holders, and name of bank which will mail rights; and
 - vi. expiration date of subscription offering, and name of bank which will act as subscription agent.
- (2) send two copies of preliminary prospectus or offering circular, and printer's proof copy of subscription rights to the Exchange;
 - (3) submit listing application covering listing of additional Securities issuable upon exercise of subscription rights;
 - (4) notify Exchange as soon as Securities Act registration statement becomes effective.
- (b) Establishment of Record, Mailing, and Expiration Dates—The record date should be no earlier than one day prior to the time the registration statement or offering circular becomes effective.

The mailing of the subscription rights to Security holders should occur as soon after the record date as possible. Most companies have their transfer agents mail the rights on the same date as the record date or, at the latest, on the business day following the record date.

The subscription period should be for at least 14 calendar days following the mailing date. (See Rules 26511-26522 for further explanation of "ex-rights" rule.)

- (c) Form of Subscription Rights and Issuance of Securities—The subscription rights should specify the number of rights represented by the warrant certificate rather than the number of Securities to which the holder is entitled to subscribe. This eliminates the use of two separate types of warrants—one for full Securities and the other for fractional Securities.

Provision should be made for the issuance of certificates for Securities subscribed for promptly upon exercise of the subscription privilege, and the subscription rights should contain a statement to that effect. Where, in addition to the usual subscription privilege, there is available an over-subscription privilege (subject to allotment) the issuance of the additional Securities against exercise of the over-subscription privilege can be made promptly after the expiration date of the offering.

- (d) Dividend Declaration—No dividend should be declared having a record date during the subscription period. Otherwise, complications will develop in dealings in the rights. The record date for any dividend which otherwise would be a date during the subscription

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period should be either (i) the same date as the date of record of shareholders entitled to receive the subscription rights or a date prior to such subscription offering record date, or (ii) a date no earlier than the tenth day following the expiration date of the subscription offering. The record date specified in (i) would be established if the company does not wish to pay the current dividend on the Securities offered for subscription. The record date specified in (ii) would be established if the company wishes to pay the dividend on the Securities offered for subscription as well as on the Securities previously outstanding.

- (e) Dealings in Rights—No application is required to be filed with the Exchange for the listing of subscription rights or with the SEC for their registration under the Exchange Act. Under SEC Rule 12a-4, subscription rights are exempt from registration under the Exchange Act.

Transferable rights may be admitted to dealings on the Exchange as soon as notice is received that the company's Securities Act registration statement or offering circular has become effective. The normal procedure is to admit the rights to dealings at 10:00 a.m. on the day following the day the registration statement or offering circular has become effective. Accordingly, the company should arrange to have the registration statement or offering circular declared effective as of 4:00 p.m. on the date preceding the anticipated trading date. The company or its attorneys should notify the Exchange by telephone as soon as they learn of SEC clearance.

Trading in rights on the Exchange will cease at the close of business on the business day preceding the expiration date thereof. This facilitates open contracts to be settled and rights to be exercised on the final day.

- (f) Ex-Rights Date—As specified at Rule 26513(a), in general, Securities are quoted “ex-rights” the day following the date on which the rights are admitted to dealings. This arrangement allows one full day's trading to take place in the rights to establish their market value for “ex-rights” purposes. Purchasers of the Security beginning the fourth business day preceding the record date for and to and including the day before the “ex-rights” date for the Security have been paying prices for their Security which include the value of the rights. Since it may not be possible for such purchasers to become holders of record on the books of the company by the record date for the offering, the Exchange rules that the purchasers in such transactions (having paid a “rights on” price for their Security, i.e., a price including the value of the rights) are entitled to the rights and are, therefore, entitled to receive a due bill for the rights from the sellers of the Security. Such due bills are redeemed by the sellers when they receive their rights from the company. This arrangement is between the brokers for the purchasers and the sellers of the Securities, and does not involve the company. For a further explanation, see the Rule 26500 Series.
- (g) Application for Listing Additional Securities Issuable Against Exercise of Subscription Rights—A company is required to file with the Exchange an application for the listing of the additional Securities issuable upon exercise of the rights. The Securities Act prospectus or offering circular relating to the subscription offering may be incorporated

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by reference. The listing application (see Rule 26303) should be filed with the Exchange as soon as possible after the company has filed its registration statement or offering circular with the SEC. The Exchange must have time to act on the application sufficiently prior to the date of the offering, so that appropriate listing authority will be in effect with respect to the Securities issuable when and as subscription rights are exercised.

- (h) **Oversubscription Privilege**—Where a subscription offering to Securities contains an oversubscription privilege, the number of Securities allocated to Security holders upon exercise of the oversubscription privilege should be in proportion to the number of Securities subscribed for by each Security holder on the original subscription offering, and should not be based on the number requested under the oversubscription privilege.

26341. Acquisition of a Listed Issuer by an Unlisted Entity

If a listed issuer engages in a Reverse Merger (as defined below), it will be eligible for continued listing on BSTX only if the post-transaction entity meets the standards for initial listing. The Exchange will refuse to list additional Securities of a listed issuer in connection with a Reverse Merger unless the post-transaction entity meets the standards for initial listing and the listed issuer obtains shareholder approval of the issuance of such Securities as required by Rule 26713(b). The applicable fees for additional listings and Reverse Mergers can be found in the Exchange's fee schedule.

The Exchange should be consulted whenever a listed issuer is contemplating a transaction or series of transactions that could constitute a Reverse Merger. If the Exchange determines that a transaction or series of transactions constitute a Reverse Merger, the listed issuer must submit an initial listing application for the post-transaction entity with sufficient time to allow the Exchange to complete its review before the effective date of the Reverse Merger. If the initial listing application has not been approved prior to the effective date of the Reverse Merger, the Exchange will issue an Exchange Determination Letter as set forth in Rule 27202 and begin delisting proceedings pursuant to the Rule 27200 Series.

IM-26341-1

For the purposes of this provision, a "Reverse Merger" is a transaction or series of transactions whereby a listed issuer combines with, or into, an entity not listed on BSTX, resulting in a change of control of the listed issuer and potentially allowing such unlisted entity to obtain a BSTX listing. In determining whether a change of control constitutes a Reverse Merger, the Exchange will consider all relevant factors, including, but not limited to, changes in the management, board of directors, voting power, ownership, and financial structure of the listed issuer. The Exchange will also consider the nature of the businesses and the relative size of both the listed issuer and the unlisted entity.

26342. Paired Securities

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Companies whose Securities are “paired” may file a single additional listing application covering the Securities to be issued by both companies. (See the Exchange fee schedule for computation of the fee.)

26343 – 26349. Reserved**26350. Cancellation Notice**

A company which has received authority to list Securities, upon official notice of issuance, for a particular purpose, and which no longer intends to issue all or a portion of such Securities for that purpose, should cancel the listing authority by notifying the Exchange by letter (see sample letter in the BSTX Listing Supplement). The letter should specify the amount of Securities to be cancelled and the reason for such request. An example of such cancellation letter can be found in the BSTX Listing Supplement on the Exchange’s website.

26400 – Disclosure Policies**26401. Outline of Exchange Disclosure Policies**

The Exchange considers that the conduct of a fair and orderly market requires every listed company to make available to the public information necessary for informed investing and to take reasonable steps to ensure that all who invest in its Securities enjoy equal access to such information. In applying this fundamental principle, the Exchange has adopted the following eight specific policies concerning disclosure, each of which is more fully discussed (in a Question and Answer format) in the BSTX Supplemental Listing Information:

- (a) Immediate Public Disclosure of Material Information—A listed company is required to make immediate public disclosure of all material information concerning its affairs, except in unusual circumstances (referred to as the Exchange’s “immediate release policy”). When such disclosure is to be made between 7:00 A.M. and 4:00 P.M., Eastern Time, it is essential that the Exchange be notified at least ten minutes prior to the announcement.
- (b) Thorough Public Dissemination—A listed company is required to release material information to the public by means of any Regulation FD compliant method (or combination of methods).
- (c) Clarification or Confirmation of Rumors and Reports—Whenever a listed company becomes aware of a rumor or report, true or false, that contains information that is likely to have, or has had, an effect on the trading in its Securities, or would be likely to have a bearing on investment decisions, the company is required to publicly clarify the rumor or report as promptly as possible.
- (d) Response to Unusual Market Action—Whenever unusual market action takes place in a listed company’s Securities, the company is expected to make inquiry to determine whether rumors or other conditions requiring corrective action exist, and, if so, to take whatever action is appropriate. If, after this review, the unusual market action remains unexplained, it may be appropriate for the company to issue a “no news” release—i.e.,

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announce that there has been no material development in its business and affairs not previously disclosed or, to its knowledge, any other reason to account for the unusual market action.

- (e) Unwarranted Promotional Disclosure—A listed company should refrain from promotional disclosure activity which exceeds that necessary to enable the public to make informed investment decisions. Such activity includes inappropriately worded news releases, public announcements not justified by actual developments in a company’s affairs, exaggerated reports or predictions, flamboyant wording and other forms of overstated or over-zealous disclosure activity which may mislead investors and cause unwarranted price movements and activity in a company’s Securities.
- (f) Insider Trading—Insiders should not trade on the basis of material information which is not known to the investing public. Moreover, insiders should refrain from trading, even after material information has been released to the press and other media, for a period sufficient to permit thorough public dissemination and evaluation of the information.
- (g) Receipt of Written Delisting Notice—A company is required to publicly disclose that it has received a written notice indicating that the Exchange has determined to remove the company’s Securities from listing (or unlisted trading) as a result of non-compliance with the continued listing requirements. (See Rule 27009)
- (h) Receipt of Audit Opinion with Going Concern Qualification - A company is required to publicly disclose that it has received an audit opinion that contains a going concern qualification. (See Rule 26610(b))
- (i) Reserved
- (j) Receipt of Written Notice of Noncompliance with a Continued Listing Requirement—A company is required to publicly disclose that it has received a written notice indicating that the Exchange has determined that the company is noncompliant and/or has failed to satisfy one or more continued listing requirements. (See IM-26402-02 to Rule 26402 and Rule 27009).

IM-26401-1

Listed companies must comply with the notification procedures in Rule 26401(a) and (b) with respect to all announcements relating to a dividend, stock distribution, or Security distribution when such disclosure is to be made between 7:00 A.M. and 4:00 P.M., Eastern Time. (Listed companies must also comply with the notification requirements of Rule 26501 with respect to all such announcements, including outside of the hours of operation of the immediate release policy.)

26402. Explanation of Exchange Disclosure Policies

- (a) Immediate Public Disclosure of Material Information

Q. What standard should be employed to determine whether disclosure should be made?

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A. Immediate disclosure should be made of information about a company's affairs or about events or conditions in the market for its Securities when either of the following standards are met:

- (i) where the information is likely to have a significant effect on the price of any of the company's Securities; or
- (ii) where such information (including, in certain cases, any necessary interpretation by securities analysts or other experts) is likely to be considered important by a reasonable investor in determining a choice of action.

Q. What kinds of information about a company's affairs should be disclosed?

A. Any material information of a factual nature that bears on the value of a company's Securities or on decisions as to whether or not to invest or trade in such Securities should be disclosed. Included is information known to the company concerning:

- (i) its property, business, financial condition and prospects;
- (ii) mergers and acquisitions;
- (iii) dealings with employees, suppliers, customers and others; and
- (iv) information concerning a significant change in ownership of the company's Securities by insiders, principal shareholders, or control persons.

In those instances where a company deems it appropriate to disclose internal estimates or projections of its earnings or of other data relating to its affairs, such estimates or projections should be prepared carefully, with a reasonable factual basis, and should be stated realistically, with appropriate qualifications. Moreover, if such estimates or projections subsequently appear to have been mistaken, they should be promptly and publicly corrected.

Q. What kinds of events and conditions in the market for a company's Securities may require disclosure?

A. The price of a company's Securities (as well as a reasonable investor's decision whether to buy or sell those Securities) may be affected as much by factors directly concerning the market for the Securities as by factors concerning the company's business. Factors directly concerning the market for a company's Securities may include such matters as the acquisition or disposition by a company of a significant amount of its own Securities, an event affecting the present or potential dilution of the rights or interests of a company's Securities, or events materially affecting the size of the "public float" of its Securities.

While, as noted above, a company is expected to make appropriate disclosure about significant changes in insider ownership of its Securities, the company should not indiscriminately disclose publicly any knowledge it has of the trading activities of outsiders, such as trading by mutual

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funds or other institutions, for such outsiders normally have a legitimate interest in preserving the confidentiality of their Security transactions.

Q. What are some specific examples of a company's affairs or market conditions typically requiring disclosure?

A. The following events, while not comprising a complete list of all the situations which may require disclosure, are particularly likely to require prompt announcements:

- a joint venture, merger or acquisition;
- the declaration or omission of dividends or the determination of earnings;
- a stock split or stock dividend;
- the acquisition or loss of a significant contract;
- a significant new product or discovery;
- a change in control or a significant change in management;
- a call of Securities for redemption;
- the borrowing of a significant amount of funds;
- the public or private sale of a significant amount of additional Securities;
- significant litigation;
- the purchase or sale of a significant asset;
- a significant change in capital investment plans;
- a significant labor dispute or disputes with subcontractors or suppliers;
- an event requiring the filing of a current report under the Securities Exchange Act;
- establishment of a program to make purchases of the company's own shares;
- a tender offer for another company's securities;
- an event of technical default or default on interest and/or principal payments;
- board changes and vacancies; and
- receipt of an audit opinion that contains a going concern qualification (see also Section 610(b)).

Q. When may a company properly withhold material information?

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A. Occasionally, circumstances such as those discussed below may arise in which— provided that complete confidentiality is maintained—a company may temporarily refrain from publicly disclosing material information. These situations, however, are limited and constitute an infrequent exception to the normal requirement of immediate public disclosure. Thus, in cases of doubt, the presumption must always be in favor of disclosure.

(i) When immediate disclosure would prejudice the ability of the company to pursue its corporate objectives.

Although public disclosure is generally necessary to protect the interests of investors, circumstances may occasionally arise where disclosure would prejudice a company's ability to achieve a valid corporate objective. Public disclosure of a plan to acquire certain real estate, for example, could result in an increase in the company's cost of the desired acquisition or could prevent the company from carrying out the plan at all. In such circumstances, if the unfavorable result to the company outweighs the undesirable consequences of non-disclosure, an announcement may properly be deferred to a more appropriate time.

(ii) When the facts are in a state of flux and a more appropriate moment for disclosure is imminent.

Occasionally, corporate developments give rise to information which, although material, is subject to rapid change. If the situation is about to stabilize or resolve itself in the near future, it may be proper to withhold public disclosure until a firm announcement can be made, since successive public statements concerning the same subject (but based on changing facts) may confuse or mislead the public rather than enlighten it.

For example, in the course of a successful negotiation for the acquisition of another company, the only information known to each party at the outset may be the willingness of the other to hold discussions. Shortly thereafter, it may become apparent to the parties that it is likely an agreement can be reached. Finally, agreement in principle may be reached on specific terms. In such circumstances (and assuming the maintenance of strict confidentiality), a company need not issue a public announcement at each stage of the negotiations, describing the current state of constantly changing facts, but may await agreement in principle on specific terms. If, on the other hand, progress in the negotiations should stabilize at some other point, disclosure should then be made if the information is material.

Whenever material information is being temporarily withheld, the strictest confidentiality must be maintained, and the company should be prepared to make an immediate public announcement, if necessary. During this period, the market activity of the company's Securities should be closely watched, since unusual market activity frequently signifies that a "leak" may have occurred. This is one reason why it is important to keep the Exchange fully apprised of material corporate developments.

NOTE: Federal securities laws may restrict the extent of permissible disclosure before or during a public offering of securities or a solicitation of proxies. In such circumstances (as more fully discussed below), a company should discuss the disclosure of material information in advance

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with the Exchange and the Securities and Exchange Commission. It is the Exchange's experience that the requirements of both the securities laws and regulations and the Exchange's disclosure policy can be met even in those instances where their thrust appears to be different.

Q. What action is required if rumors occur while material information is being temporarily withheld?

A. If rumors concerning such information should develop, immediate public disclosure becomes necessary. (See also "Clarification or Confirmation of Rumors and Reports", Rule 26402(c).)

Q. What action is required if insider trading occurs while material information is being temporarily withheld?

A. Immediate public disclosure of the information in question must be effected if the company should learn that insider trading, as defined in Rule 26402(f) has taken or is taking place. In unusual cases, where the trading is insignificant and does not have any influence on the market, and where measures sufficient to halt insider trading and prevent its recurrence are taken, exemptions might be made following discussions with the Exchange. The Exchange can provide current information regarding market activity in the company's Securities and help assess the significance of such trading.

Q. How can confidentiality best be maintained?

A. Information that is to be kept confidential should be confined, to the extent possible, to the highest possible echelons of management and should be disclosed to officers, employees and others on a "need to know" basis only. Distribution of paperwork and other data should be held to a minimum. When the information must be disclosed more broadly to company personnel or others, their attention should be drawn to its confidential nature and to the restrictions that apply to its use, including the prohibition on insider trading. It may be appropriate to require each person who gains access to the information to report any transaction which he effects in the company's Securities to the company. If counsel, accountants, financial or public relations advisers or other outsiders are consulted, steps should be taken to ensure that they maintain similar precautions within their respective organizations to maintain confidentiality.

In general, it is recommended that a listed company remind its employees on a regular basis of its policies on confidentiality.

(b) Thorough Public Dissemination

Q. What specific disclosure techniques should a company employ?

A. The steps required are as follows:

(i) Prior to Public Disclosure. The Exchange expects a company to call the Exchange at least ten minutes in advance of public disclosure of information which is non-routine or is expected to have an impact on the market for its Securities and such disclosure is to be made between 7:00

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A.M. and 4:00 P.M., Eastern Time. The purpose of this communication is to inform the Exchange of the substance of the announcement and the Regulation FD-compliant method by which the company intends to comply with the immediate release policy and to provide the Exchange with the information necessary to locate the news upon publication. When the announcement is in written form, the company must also provide the text of such announcement to the Exchange at least ten minutes prior to release of the announcement via e-mail or web-based system as specified on the Exchange's website, except in emergency situations, when notification may instead be provided by telephone and confirmed by facsimile as specified by the Exchange on its website (and the Exchange shall promptly update and prominently display the applicable information on its website in the event that it ever changes). For purposes of this Rule 26402(b)(i), an emergency situation includes lack of computer or internet access; a technical problem on the systems of either the listed company or the Exchange; or an incompatibility between the systems of the listed company and the Exchange. The Exchange, with the benefit of all the facts provided by the company, will be able to consider whether a temporary halt in trading, pending an announcement, would be desirable. A temporary halt in trading is not a reflection on the company or its Securities, but provides an opportunity for disseminating and evaluating the information released. Such a step frequently helps avoid rumors and market instability, as well as the unfairness to investors that may arise when material information has reached part, but not yet all, of the investing community. Thus, in appropriate circumstances, the Exchange can often provide a valuable service to investors and listed companies by arranging for such a halt.

* During the period prior to the opening of trading on the Exchange, the Exchange will institute a trading halt for dissemination of material news only at the request of the issuer. Notwithstanding the foregoing, however, if it appears that the dissemination of material news will not be complete prior to the opening of trading on the Exchange, the Exchange may temporarily halt trading in order to facilitate an orderly opening process. See IM-26402-2 for additional information about Exchange policies in relation to news-related trading halts.

(ii) At Time of Public Disclosure. Any public disclosure of material information should be made by means of any Regulation FD compliant method (or combination of methods). While not requiring them to do so, the Exchange encourages listed companies to comply with the immediate release policy by issuing press releases. To ensure adequate coverage, where a listed company is satisfying the Exchange's immediate release policy by issuing a press release, that press release should be given to Dow Jones & Company, Inc., Reuters Economic Services and Bloomberg Business News. While foreign private issuers are not required to comply with Regulation FD, foreign private issuers must comply with the Exchange's immediate public disclosure policy and may do so by any method (or combination of methods) that would constitute compliance with Regulation FD for a domestic U.S. issuer.

Companies may also wish to broaden their distribution to other news or broadcast media, such as those in the location of the company's plants or offices, and to trade publications. The information in question should always be given to the media in such a way as to promote publication by them as promptly as possible, i.e., by telephone, telecopy, or in writing (by hand delivery), on an "immediate release" basis. Companies are cautioned that some of these media

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may refuse to publish information given by telephone until it has been confirmed in writing or may require written confirmation after its publication.

Whenever difficulty is encountered or anticipated in having an announcement about a material development published, a company should contact the Exchange, which may be able to provide assistance. Finally, if despite all reasonable efforts, the announcement has not been published by one of the national news-wire services or one of the above-mentioned media, the company should attempt to have the announcement disseminated through other media, such as trade, industry or business publications, or local newspapers (especially those in the area where the company's principal offices or plants are located or where its stockholders are concentrated). In cases where the announcement is of particular importance, or where unusual difficulty in dissemination is encountered, the company should consider the use of paid advertisements, a letter to stockholders, or both.

Companies may also disseminate information on their website, as well as via social media, provided however that a company disseminating information on its website or via social media must comply with the SEC's guidelines applicable to Regulation FD communication via websites and social media.

Q. How does the policy on thorough public dissemination apply to meetings with securities analysts, journalists, stockholders and others?

A. The Exchange recommends that companies observe an "open door" policy in dealing with analysts, journalists, stockholders and others. However, under no circumstances should disclosure of material corporate developments be made on an individual or selective basis to analysts, stockholders or other persons unless such information has previously been fully disclosed and disseminated to the public. In the event that material information is inadvertently disclosed on the occasion of any meetings with analysts or others, it must be publicly disseminated as promptly as possible by the means described above.

The Exchange also believes that even any appearance of preference or partiality in the release or explanation of information should be avoided. Thus, at meetings with analysts or other special groups, where the procedure of the group sponsoring the meeting permits, representatives of the news-wire services, the press, and other media should be permitted to attend.

(c) Clarification or Confirmation of Rumors and Reports

Q. What "rumors and reports" must be clarified or confirmed?

A. The public circulation by any means, whether by an article published in a newspaper, by a broker's market letter, or by word-of-mouth, of information, either correct or false, which has not been substantiated by the company and which is likely to have, or has had, an effect on the price of the company's Securities or would be likely to have a bearing on investment decisions, must be clarified or confirmed.

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If a false rumor or report is circulated among only a small number of persons and has not affected, and is not likely to affect, the market for the company's Securities, public circulation would not be deemed to have taken place and clarification would not be necessary. However, as pointed out in Rule 26402(a), if the rumor or report concerns material information which is correct and has not been disclosed by the company and thoroughly disseminated, clarification and confirmation is necessary regardless of the extent of the public circulation of the rumor or report.

Q. What response should be made to rumors or reports?

A. In the case of a material rumor or report containing erroneous information which has been circulated, the company should prepare an announcement denying the rumor or report and setting forth facts sufficient to clarify any misleading aspects of the rumor. In the case of a material rumor or report containing information that is correct, an announcement setting forth the facts should be prepared for public release. In both cases, the announcement should then be publicly disseminated in accordance with the guidelines discussed above. In addition, in the case of a false report, a reasonable effort should be made to bring the announcement to the attention of the particular group that initially distributed it. In the case of an erroneous newspaper article, for example, by sending a copy of the announcement to the newspaper's financial editor, or in the case of an erroneous market letter by sending a copy to the broker responsible for the letter.

In the case of a report predicting future sales, earnings or other data, no response from the company is ordinarily required. However, if such a report is based on erroneous information, or is wrongly attributed to a company source, the company should respond promptly to the supposedly factual elements of the report. Moreover, if a report contains a prediction that is clearly erroneous, the company should issue an announcement to the effect that the company itself has made no such prediction and currently knows of no facts that would justify making such prediction.

(d) Response to Unusual Market Activity

Q. What is the significance of unusual market activity from the standpoint of disclosure?

A. Where unusual market activity (in price movement, trading activity, or both) occurs without any apparent publicly available information which would account for the activity, it may signify trading by persons who are acting either on unannounced material information or on a rumor or report, whether true or false, about the company. Most often, of course, unusual market activity may not be traceable either to insider trading or to a rumor or report. Nevertheless, the market activity itself may be misleading to investors, who are likely to assume that a sudden and appreciable change in the price of a company's stock must reflect a parallel change in its business or prospects. Similarly, unusual trading volume, even when not accompanied by a significant change in price, tends to encourage rumors and give rise to speculative trading activity which may be unrelated to actual developments in the company's affairs.

Generally, unusual market activity will first be detected by either the Designated Market Maker in the company's Securities or by the Exchange, which in turn, will contact company officials to

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apprise them of the activity. Where unusual activity or rumors may occur, the Exchange may contact the company to inquire about any company developments that have not been publicly announced, but that could be responsible for the activity. Where the market appears to reflect undisclosed information, the Exchange will normally ask the company to make the information public immediately.

Q. What response is required of a company when unusual market action in its Securities takes place?

A. First, the company should attempt to determine the reason for the market action, by considering in particular: (i) whether any information about its affairs which would account for the action has recently been publicly disclosed; (ii) whether there is any information of this type that has not been publicly disclosed (in which case the unusual market action may signify that a "leak" has occurred); and (iii) whether the company is the subject of a rumor or report.

If the company determines that the market action results from material information that has already been publicly disseminated, generally no further announcement is required. If, however, the market action indicates that such information may have been misinterpreted, it may be helpful, after discussion with the Exchange, to issue a clarifying announcement.

If the market action results from the "leak" of previously undisclosed information, the information in question must be promptly disseminated to the public. If the market action results from a false rumor or report, the Exchange policy on correction of such rumors and reports (discussed in Rule 26402(c)) should be complied with. Finally, if the company is unable to determine the cause of the market action, the Exchange may suggest that the company issue a "no news" release, i.e., a public announcement to the effect that there have been no undisclosed recent developments affecting the company or its affairs which would account for the unusual market activity.

(e) Unwarranted Promotional Disclosure

Q. What is "unwarranted promotional disclosure" activity?

A. Disclosure activity beyond that necessary to inform investors and explicable essentially as an attempt to influence Security prices is considered to be unwarranted and promotional. Although the distinction between legitimate public relations activities and such promotional activity is one that must necessarily be drawn from the facts of a particular case, the following are frequently indicators of promotional activity:

(i) a series of public announcements unrelated in volume or frequency to the materiality of actual developments in a company's business and affairs;

(ii) premature announcement of products still in the development stage with unproven commercial prospects;

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(iii) promotions and expense-paid trips, or the seeking out of meetings or interviews with analysts and financial writers, which could have the effect of unduly influencing the market activity in the company's Securities and are not justified in frequency or scope by the need to disseminate information about actual developments in the company's business and affairs;

(iv) press releases or other public announcements of a one-sided or unbalanced nature; or

(v) company or product advertisements which, in effect, promote the company's Securities.

(f) Insider Trading

Q. Who are "insiders"?

A. All persons who come into possession of material inside information, before its public release, are considered insiders for purposes of the Exchange's disclosure policies. Such persons include control stockholders, directors, officers and employees, and frequently also include outside attorneys, accountants, investment bankers, public relations advisors, advertising agencies, consultants, and other independent contractors. The husbands, wives, immediate families and those under the control of insiders may also be regarded as insiders. Where acquisition or other negotiations are concerned, the above relationships apply to the other parties to the negotiations as well. Finally, for purposes of the Exchange's disclosure policy, the term insiders also includes "tippees" who come into possession of material inside information.

The company itself is also an insider and, while in possession of material inside information, is prohibited from buying its Securities from, or selling such Securities to, the public in the same manner as other insiders.

Q. What is "inside information"?

A. For purposes of these guidelines, "inside information" is any information or development which may have a material effect on the company or on the market for its Securities and which has not been publicly disclosed.

Q. What is "insider trading"?

A. "Insider trading" refers not only to the purchase or sale of a company's Securities, but also to the purchase or sale of puts, calls, or other options with respect to such Securities. Such trading is deemed to be done by an insider whenever he has any beneficial interest, direct or indirect, in such Securities, regardless of whether they are actually held in his name.

Included in the concept of "insider trading" is "tipping", or revealing inside information to outside individuals to enable such individuals to trade in the company's Securities on the basis of undisclosed information.

Q. How soon after the release of material information may insiders begin to trade?

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A. This depends both on how thoroughly and how quickly after its release the information is published by the news-wire services and the press. In addition, following dissemination of the information, insiders should refrain from trading until the public has had an opportunity to evaluate it thoroughly. Where the effect of the information on investment decisions is readily understandable, as in the case of earnings, the required waiting period will be shorter than where the information must be interpreted before its bearing on investment decisions can be evaluated. While the waiting period is dependent on the circumstances, the Exchange recommends that, as a basic policy, when dissemination is made in accordance with Exchange policy (see Rule 26402(b)—26402(d)), insiders should wait for at least 24 hours after the general publication of the release in a national medium. Where publication is not so widespread, a minimum waiting period of 48 hours is recommended. Where publication does not occur, or if it should otherwise appear appropriate, it may be desirable to obtain an opinion of counsel before insiders trade.

Q. What steps can companies take to prevent improper insider trading?

A. Companies can establish, publish and enforce effective procedures applicable to the purchase and sale of its Securities by officers, directors, employees and other "insiders" designed not only to prevent improper trading, but also to avoid any question of the propriety of insider purchases or sales. One such procedure might require corporate insiders to restrict their purchases and sales of the company's Securities to periods following the release of annual statements or other releases setting forth the financial condition and status of the company. Another could involve the purchase of a company's Securities on a regular periodic basis by an agent over which neither the company nor the individual has any control.

In the exceptional cases in which Exchange policy permits companies to withhold material information temporarily, extreme caution must be exercised to maintain the confidentiality of the information withheld, since the danger of insider trading generally increases proportionately to the number of persons privy to the information. Recommended procedures for maintaining confidentiality are discussed in Rule 26402(a).

(g) Receipt of Written Notice of Noncompliance with a Continued Listing Requirement or Written Delisting Notice

Q. What kinds of information should be included in the public announcement?

A. The public announcement must indicate that the Exchange has determined that the company does not meet a listing standard, or has determined to remove the company's Security listing (or unlisted trading), as applicable, and must include the specific policies and standards upon which the determination is based. In order to assist the company in the preparation of the public announcement, Exchange staff will provide the company with the Rule(s) upon which its determination was based and a template for disclosure.

Q. When must the public announcement be made?

A. The public announcement must be made as promptly as possible, but no more than four business days following the company's receipt of the written notice from the Exchange. The

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Exchange notes that companies should not construe the four business day time frame as a safe harbor for disclosure.

Q. What action may the Exchange take if a company fails to make a public announcement indicating that the Exchange has determined that the company is noncompliant and/or has failed to satisfy one or more continued listing standards, or has determined to remove the company's Securities from listing (or unlisted trading)?

A. Failure by a company to make the required public announcement will result in the institution of a trading halt in the company's Securities until the announcement is made, even if the company appeals the determination as provided for under Rules 27009 and 27010. If the company fails to make the announcement prior to the time that the Exchange issues its decision, the Exchange may decide to delist the company's Securities for failure to make the public announcement.

Q. Does Rule 27009(j) or 27010(b) relieve the company of its disclosure obligations under the federal securities laws?

A. No. Neither Rule 27009(j) nor 27010(b) relieves the company of its disclosure obligations under the federal securities laws, nor should Rule 27009(j) or 27010(b) be construed as providing a safe harbor under the federal securities laws. The Exchange suggests that the company consult with corporate/securities counsel in assessing its disclosure obligations under the federal securities laws.

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A written notice of noncompliance with a continued listing requirement may be in the form of either a Warning Letter (as defined in Rule 27009(a)(i)) or Deficiency Letter (as defined in Rule 21009(b)).

IM-26402-2

When the Exchange believes it is necessary to request from an issuer information relating to:

- (i) material news;
- (ii) the issuer's compliance with Exchange continued listing requirements; or
- (iii) any other information which is necessary to protect investors and the public interest.

The Exchange may halt trading in a listed Security until it has received and evaluated such information.

The Exchange may halt trading in an American Depositary Receipt ("ADR") or other Securities listed on the Exchange, when the Exchange-listed Security or the security underlying the ADR is

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listed on or registered with another national securities exchange or foreign exchange or market, and the national securities exchange or foreign exchange or market, or regulatory authority overseeing such exchange or market, halts trading in such ADR or Security for regulatory reasons. The Exchange may halt trading in a Security when the issuer's Primary Equity Security is halted.

IM-26402-3

The Exchange asks companies that intend to issue material news after the closing of trading on BSTX to delay doing so until the earlier of publication of such company's official closing price on BSTX or fifteen minutes after the close of trading on BSTX in order to facilitate an orderly closing process to trading on BSTX. Trading on BSTX typically closes at 4:00 P.M. Eastern Time, except for certain days on which trading closes early at 1:00 P.M. Eastern Time.

26403. Content and Preparation of Public Announcements

- (a) Exchange Requirements—The content of a press release or other public announcement is as important as its timing. Each announcement should:
- (1) be factual, clear and succinct;
 - (2) contain sufficient quantitative information to allow investors to evaluate its relative importance to the activities of the company;
 - (3) be balanced and fair, i.e., the announcement should avoid the following:
 - i. The omission of important unfavorable facts, or the slighting of such facts (e.g., by “burying” them at the end of a press release).
 - ii. The presentation of favorable possibilities as certain, or as more probable than is actually the case.
 - iii. The presentation of projections without sufficient qualification or without sufficient factual basis.
 - iv. Negative statements phrased so as to create a positive implication, e.g., “The company cannot now predict whether the development will have a materially favorable effect on its earnings” (creating the implication that the effect will be favorable even if not materially favorable), or “The company expects that the development will not have a materially favorable effect on earnings in the immediate future” (creating the implication that the development will eventually have a materially favorable effect).
 - v. The use of promotional jargon calculated to excite rather than to inform.
 - (4) avoid over-technical language, and should be expressed to the extent possible in language comprehensible to the layman;

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- (5) explain, if the consequences or effects of the information on the company's future prospects cannot be assessed, why this is so; and
 - (6) clarify and point out any reasonable alternatives where the public announcement undertakes to interpret information disclosed.
- (b) **Securities Laws Requirements**—The requirements of the Federal securities laws must also be carefully considered in the preparation of public announcements. In particular, these laws may impose special restrictions on the extent of permissible disclosure before or during a public offering of securities, including Securities, or a solicitation of proxies. Generally, in such circumstances, while the restrictions of the securities laws may affect the character of disclosure, they do not prohibit the timely disclosure of material factual information. Thus, it is normally possible to effect the disclosure required by Exchange policy.
- (c) **Preparation of Announcements**—The following guidelines for the preparation of press releases and other public announcements should help companies to ensure that the content of such announcements will meet the requirements discussed above:
- (1) Every announcement should be either prepared or reviewed by a company official having familiarity with the matters about which disclosure is to be made and a company official familiar with the requirements of the Exchange, as well as any applicable requirements of the securities laws.
 - (2) Since skill and experience are important to the preparation and editing of accurate, fair and balanced public announcements, the Exchange recommends that a limited group of individuals within the company be given this assignment on a continuing basis. (Since a press announcement usually must be prepared and released as quickly as possible, however, the group charged with this assignment should be large enough to handle problems that arise suddenly and unexpectedly.) The Exchange can assist in assessing whether the release satisfies the Exchange's disclosure requirements.
 - (3) Review of press releases and other public announcements by legal counsel is often desirable and necessary, depending on the importance and complexity of the announcement.

26404. Exchange Surveillance Procedures

In many cases, when unusual market activity occurs, the Exchange is able to trace the reason for the activity to a specific cause, such as recently disclosed information, recommendations by advisory services, or rumors. In certain instances, the Exchange may also contact brokerage firms if such firms or their customers are parties to unusual activity to inquire as to the source and reasons for such activity. (This latter information, it should be noted, must remain confidential to the Exchange.) If no explanation of the unusual activity is revealed, the Exchange may call officials of the company to determine whether the cause of the activity is known to them. If the activity appears to be attributable to a rumor or report, or to material information that has not been publicly disseminated, the company is requested to take appropriate corrective action, and it may be advisable to halt trading until such action has been taken.

EXHIBIT 5A**26405. Notifications to Exchange**

Prompt notice from the listed company to the Exchange is required in connection with certain actions or events. If a provision of the BSTX Listing Standards require a company to give notice to the Exchange pursuant to this Rule 26405, the company shall provide such notice via an email address specified by the Exchange on its website (and the Exchange shall promptly update and prominently display the applicable information on its website in the event that it ever changes), except in emergency situations, when notification may instead be provided by telephone and confirmed by facsimile as specified by the Exchange on its website. For purposes of this Rule 26405, an emergency situation includes lack of computer or internet access; or a technical problem on the systems of either the listed company or the Exchange; or an incompatibility between the systems of the listed company and the Exchange. If a material event or a statement dealing with a rumor which calls for immediate release is made shortly before the opening or during market hours, notice is required to be given through the Exchange's telephone alert procedures. (See Rule 26401) If a rule containing a notification requirement does not specify that such requirement must be met by complying with the notification procedures set forth in this Rule 26405, the company may use the methods provided by this Rule 26405 or any other reasonable method. Listed companies are encouraged to contact the Exchange if they have any questions about the appropriate method of providing notification under applicable Exchange rules.

26500 – Dividends and Splits**26501. Notice of Dividend**

Prompt notice must be given to the Exchange as to any dividend action or action relating to a Security distribution in respect of a listed Security (including the omission or postponement of a dividend action at the customary time as well as the declaration of a dividend). Such notice is in addition to immediate publicity and should be given at least ten days in advance of the record date. The dividend notice should be given to the Exchange in accordance with Rule 26405. Notice should be given as soon as possible after declaration. Notice must be given to the Exchange no later than 10 minutes before the announcement to the news media (including when the notice is to be issued outside of Exchange trading hours).

26502. Record Date

A company is not permitted to close its stock transfer books for any reason, including the declaration of a dividend. Rather, it must establish a record date for Security holders entitled to a dividend which is at least ten days after the date on which the dividend is declared (declaration date).

A company is also required to give the Exchange at least ten days' notice in advance of a record date established for any other purpose, including meetings of shareholders.

26503. Form of Notice

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Immediately after the board of directors has declared a cash, Security or stock dividend, the company should comply with: (a) the notification requirements set forth in Rules 26405 and 26501 and (b) the immediate release policy pursuant to Rules 26401(a) and (b). The announcement and notice should specify the name of the company, date of declaration, amount (per Security) of the dividend, and the record and payment dates.

In the case of stock or Security dividends, payment of cash is required with respect to any distribution (or part of a distribution) that would result in fractional Security interests (see Rule 26507) and the notice to the Exchange should also state the basis for determining the amount (for example, based on the “last sale” on the record date).

The dividend notice should also state the “cut-off” date (usually five to seven days after the record date) until which the transfer agent will accept instructions from brokers as to their requirements for full shares, Securities, or cash with respect to Securities registered in their names, as nominees, and as to which they must make exact allocations among their clients.

26504. Non-Payment of Dividends

If a company has been paying regular dividends and its board of directors determines to cease or postpone such payments, this fact should be announced at least twice: first, immediately at the time the board decides to cease or postpone payment, and second, on the next monthly, quarterly, or other periodic date of declaration (assuming it is again decided to omit or postpone payment). Such announcement should be provided to the Exchange pursuant to Rules 26405 and 26501 above and issued to the public pursuant to the immediate release policy set forth in Rules 26401 above. The notice and announcement should be in the form specified in Rule 26503 above.

26505. Security Dividends or Forward Splits of Lower Priced Issues

The Exchange does not view favorably a Security dividend or forward split of a Security selling in a low price range or a substantial Security dividend or forward split which may result in an abnormally low price range for Securities after the split or Security dividend. Any company considering a forward split (or a Security dividend of more than 5%) which would result in an adjusted price of less than \$3 per Security should consult with the Exchange in advance of taking formal action. (See also Rule 26970 for information regarding reverse splits.)

26506. Reserved**26507. Cash in Lieu of Fractional Securities**

The Exchange does not permit fractional interests in Securities. Any distribution or part of a distribution that might result in fractional interests in Securities must be paid in cash.

26508. Reserved**26509. Dividend or Split-Up Listing Application**

Refer to Rule 26304

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The term “ex-dividend” means “without the dividend” and the term “ex-rights” means “without the rights”. The effect of quoting a Security “ex-dividend” or “ex-rights” is that quotations for, and transactions in, the Security on and after the “ex-dividend” or “ex-rights” date reflect the fact that the buyer is not entitled to the dividend or rights.

NOTE: Transactions in Securities are not ex-dividend or ex-rights until an announcement to that effect is made by the Exchange.

26512. Ex-dividend Procedure

Transactions in Securities (except those made for “cash”) are ex-dividend on the business day preceding the record date. If the record date selected is not a business day, the Security will be quoted ex-dividend on the second preceding business day. “Cash” transactions are ex-dividend on the business day following the record date.

26513. Ex-Rights Procedure

In the establishment and announcement of ex-rights dates, the Exchange proceeds as follows:

(a) Subscription Price Not Known—Where the subscription price and all other terms of the rights and subscription offering are not known sufficiently in advance of the record date to determine the value of the rights, the Exchange will rule the Securities ex-rights on the day following the date the rights commence trading (which, in most instances, is a date subsequent to the record date for the subscription offering).

Under such circumstances, the Exchange requires that all deliveries of Securities made after the record date in settlement of transactions made prior to the ex-rights date, and on a “rights on” basis carry “due bills” for the rights.*

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A “DUE BILL” is an instrument used by Participants, when, for any reason, it becomes necessary to postpone an “ex-dividend” or “ex-rights” date. The due bill has the effect of transferring the right to receive a dividend, distribution or subscription right from the Security holder on the record date to the purchaser of the Security who, at the time of the transaction, paid a “dividend on” or “rights on” price.

26514. Special Rulings

As more fully explained in Rule 26521, the Exchange may, in any particular case (such as where conditional, large or valuable dividends are declared, or where the Exchange does not receive timely notice of dividend declarations or offerings of subscription rights), direct that transactions shall be ex-dividend or ex-rights on a day other than that fixed by Exchange rules and may

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prescribe the procedure to be followed in connection therewith. In such instances, on transactions made prior to the ex-dividend or ex-rights date, the Exchange, by special ruling, will require that deliveries too late to effect transfer in the normal course by the record date, shall be accompanied by due bills for the dividend or rights.

26515. Return of Dividend

Participants, receiving deliveries in advance of the record date against ex-dividend or ex-rights transactions, who are able to effect transfer of the purchased Security by the record date, will be responsible to return the dividend or rights to the Participant from whom delivery was received.

26516. Reserved**26517. Optional Dividends**

When a dividend is payable at the option of the Security holder, in either cash or securities, the Securities will be ex-dividend the value of the cash or securities, whichever is greater.

26518. Canadian Currency

When a dividend is payable in Canadian currency, the stock will be “ex” the amount of the dividend in U.S. currency, at the rate of exchange prevailing on the ex-dividend date. Orders will not be reduced to an ex-dividend basis by the amount of any tax on the dividend deductible at the source.

26519. American Depositary Receipts

In the case of American shares or American Depositary Receipts for stocks of foreign (other than Canadian) corporations, the reduction of orders to an ex-dividend basis shall be for the net amount of the dividend in U.S. currency after giving effect to all deductions, including taxes, foreign exchange discount, and the expenses of the Depositary.

26520. Reserved**26521. Special Ex-dividend Rulings**

- (a) Late Notices—If, as required by Exchange rules, the Exchange does not receive a notice of a dividend declaration sufficiently in advance of a record date to permit a Security to be quoted “ex-dividend” in the usual manner, the Exchange quotes the Security “ex-dividend” as soon as possible following receipt of notice of the dividend. The Exchange also rules that the “dividend on” purchaser (in transactions made during the interval between the date when the Security should have been quoted “ex” and the date when the Security is actually quoted “ex”) is entitled to receive the dividend from the seller. The seller in such transactions is required to give to the purchaser a due bill, covering the amount of the dividend, to be redeemed subsequent to the payment date for the dividend.

The use of due bills causes vexing problems between Participants and their customers because it is often difficult to explain to the selling customer why he should give up a dividend paid to him by the company. Therefore, the Exchange requires listed companies

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to furnish to the Exchange timely notification of dividend declarations (i) as many days as possible in advance of the record date and, in any event, (ii) no less than ten (10) days in advance of the record date.

- (b) **Large or Valuable Dividends, Dividends “Not In Kind”, and Split-ups Effected as Distributions**—When large or valuable cash, stock or Security dividends (usually 20% or more), or a dividend “not in kind” (i.e., a distribution of securities of another issuer), or a split-up is declared, it is the policy of the Exchange to postpone the “ex-dividend” or “ex-distribution” date until the dividend has been paid. The reason for this is so that the Security is not quoted at the substantially lower “ex-dividend” or “ex-distribution” price until the distribution is received by Security holders. If this were not the case, the collateral value of the Security would be reduced between the “ex” date and payment date, and the Security holder might be required to provide additional collateral.

In the case of dividends “not in kind” (regardless of its size in relation to the listed Security), it will be necessary to postpone the “ex-dividend” date in the event a market does not exist in the security to be distributed at the time the listed issue would normally be quoted “ex-dividend”.

In all of the above instances, the postponement of the “ex” date until after the payment date makes it possible for Security holders to sell all of their holdings at one time, on a “dividend on” basis (prior to the “ex” date). As a result, purchasers of the Security prior to the “ex” date continue to pay a “dividend on” price, but will not receive the dividend payment from the company. Accordingly, the Exchange rules that the “dividend on” purchaser is entitled to receive the dividend from the seller. The seller, in turn, is required to give the purchaser a due bill, covering the amount of the dividend, to be redeemed on the date fixed by the Exchange.

- (c) **“Cash” Transactions**—The Ex-Dividend Rule of the Exchange specifies that “cash” transactions (in which delivery of the security must be made on the date of the transaction) shall be “ex-dividend” on the business day following the record date.

26522. Price Adjustment of Open Orders on “Ex-Date”

- (a) When a Securities quoted ex-dividend, ex-distribution, ex-rights or ex-interest, all open orders to buy and open stop orders to sell shall be reduced by the cash value of the payment or rights, except where the Security is quoted "ex" a Security dividend or Security distribution, in which case the provisions of paragraph (b) apply.
- (b) When a Security is quoted "ex" a Security dividend, or Security distribution all open orders, including open orders to sell and open orders to buy, shall be reduced by the proportional value of the dividend.

NOTE: The fact that a Security is quoted "ex-dividend" does not mean that the initial sale of the Security "ex-dividend" will always be lower, by the amount of the dividend, than the last preceding "dividend on" sale. In many instances this does happen. Other times,

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however, Securities sell "ex-dividend" at prices (lower or higher than the preceding "dividend on" sale) unrelated to the amount of the dividend, since factors other than "ex-dividend" dates influence prices.

26600 – Accounting; Annual and Quarterly Reports**26601. Reserved****26602. Reserved****26603. Change in Accountants**

A listed company is required to notify the Exchange (prior to filing its 8-K) if it changes independent accountants; and must state the reason for such change.

26604. Defaults

A listed company must immediately notify the Exchange whenever there exists: (a) an event of default in any technical covenant of its outstanding loan agreements; (b) a default in interest or principal payments on outstanding indebtedness; (c) a default in cumulative dividend payments on an outstanding preferred stock issue; (d) a default in cumulative dividend payments on an outstanding preferred Securities or (e) a failure to meet the sinking fund or redemption provisions of any outstanding debt or equity issues of the company.

26605. Peer Review

- (a) A listed company must be audited by an independent public accountant that:
 - (1) has received an external quality control review by an independent public accountant ("peer review") that determines whether the auditor's system of quality control is in place and operating effectively and whether established policies and procedures and applicable auditing standards are being followed; or
 - (2) is enrolled in a peer review program and within 18 months receives a peer review that meets acceptable guidelines.
- (b) The following guidelines are acceptable for the purposes of Rule 26605:
 - (1) the peer review should be comparable to AICPA standards included in Standards for Performing on Peer Reviews, codified in the AICPA's SEC Practice Section Reference Manual;
 - (2) the peer review program should be subject to oversight by an independent body comparable to the organizational structure of the Public Oversight Board as codified in the AICPA's SEC Practice Section Reference Manual; and
 - (3) the administering entity and the independent oversight body of the peer review program must, as part of their rules of procedure, require the retention of the peer review working papers for 90 days after acceptance of the peer review report and allow the Exchange access to those working papers.

EXHIBIT 5A**26606-26609. Reserved****26610. Publication of Annual Report**

- (a) Any listed company that is required to file with the SEC an annual report that includes audited financial statements (including on Forms 10-K, 20-F, 40-F or N-CSR) is required to simultaneously make such annual report available to Security holders on or through the company's website.

A company must also post to its website a prominent undertaking in the English language to provide all holders (including preferred stockholders, preferred Security holders and bondholders) the ability, upon request, to receive a hard copy of the company's complete audited financial statements free of charge and simultaneously issue a press release stating that its annual report has been filed with the SEC. This press release must also specify the company's website address and indicate that shareholders have the ability to receive a hard copy of the company's complete audited financial statements free of charge upon request. The company must provide such hard copies within a reasonable period of time following the request. Moreover, the press release must be published pursuant to the Exchange's press release policy (see Rule 26401 above).

A listed company that:

- is subject to the U.S. proxy rules that provides its audited financial statements (as included on Forms 10-K, 20-F and 40-F) to beneficial shareholders in a manner that is consistent with the physical or electronic delivery requirements applicable to annual reports set forth in Rules 14a-3 and 14a-16 of the U.S. proxy rules, or
- is an issuer not subject to the U.S. proxy rules that provides its audited financial statements (as included on Forms 10-K, 20-F and 40-F) to beneficial shareholders in a manner that is consistent with the physical or electronic delivery requirements applicable to annual reports set forth in Rules 14a-3 and 14a-16 of the U.S. proxy rules,

is not required to issue the press release or post the undertaking required above. A company that fails to file its annual report on Forms 10-K, 20-F, 40-F or N-CSR with the SEC in a timely manner is subject to the compliance procedures set forth in Rule 27007.

- (b) A listed company that receives an audit opinion that contains a going concern emphasis must make a public announcement through the news media disclosing the receipt of such opinion. Prior to the release of the public announcement, the listed company must provide such announcement to the Exchange in a manner consistent with the requirements for the provision of material news to the Exchange under Rule 26401 hereof. The public announcement shall be made contemporaneously with the filing of such audit opinion in a public filing with the Securities and Exchange Commission.

EXHIBIT 5A**26611-26615. Reserved****26616. President's Letter**

Most annual reports contain a letter to shareholders from the President or other officer of the company. The Exchange expects that such letter, as well as all other releases and statements by the company, will be factual and that judgment and restraint will be used in not publicizing information which may be construed as over-optimistic, slanted or promotional. (See Rules 26401-26404 for a further discussion of the Exchange's disclosure requirements.)

26617-26622. Reserved**26623. Dissemination**

Interim statements (unaudited) are not required to be sent to Security holders by any company whose common stock or equity Securities is listed on a national securities exchange. (However, many companies do send such statements.)

Companies whose common stock or Securities are not listed on a national securities exchange must send interim statements (unaudited) to holders of its Securities which are listed on BSTX.

Interim statements of sales and earnings must be on the basis of the same degree of consolidation as the annual report. Such statements should disclose any substantial items of unusual or nonrecurrent nature and will show net income before and after federal income taxes.

As a matter of fairness, corporations which distribute interim reports to shareholders should distribute such reports to both registered and beneficial shareholders.

In all cases, such information (whether or not furnished to Security holders) must be disseminated in the form of a press release to one or more newspapers of general circulation in New York regularly publishing financial news and to one or more of the national news-wire services. A copy must also be sent to the Exchange. Further information on the handling of press releases is set forth in Rules 26401-26404.

26624. Exceptions

Exception to the Exchange's requirement that quarterly results be distributed in the form of a press release is made only in cases where conditions peculiar to the type of company, or to the particular company itself, would make such a release impracticable or misleading, as in the case of companies dependent upon long-term contracts, or companies dependent upon the growth and sale of a crop in an annual cycle, or companies operating under conditions which make such releases virtually impossible or misleading.

When the Exchange is convinced that the release of quarterly results is impracticable, or could be misleading, it may require an agreement to release a semi-annual statement of sales and earnings, or an interim statement of certain operating statistics which will serve to indicate the trend of the company's business during the period between annual reports. Only when the Exchange is

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convinced that any type of interim release is either impracticable, or misleading, will an agreement calling merely for publication of annual statements be accepted.

NOTE: Any agreement between the Exchange and a listed company on the issuance of quarterly operating results does not alter the company's obligation to publish quarterly statements pursuant to SEC rules.

26700 – Shareholders' Meetings, Approval and Voting of Proxies**26701. Filing Material Distributed to Shareholders**

A listed company is required to file with the Exchange five copies of proxy statements, forms of proxy and other soliciting materials distributed to shareholders. A listed company is also required to file with the Exchange one copy of the notice of shareholders' meetings and three copies of annual reports distributed to shareholders. Copies of such material should be sent to the Exchange when distributed to shareholders, unless the material was otherwise filed electronically with the SEC (See Rule 27101).

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Proxy statements, forms of proxy and other soliciting materials shall be distributed by such means as are permitted or required by applicable law and regulation (including any interpretations thereof by the SEC). Companies should also note Rule 26722 applicable to Participants regarding transmission of proxy material to customers.

26702. Reserved**26703. Notice of Meetings**

A listed company is required to give shareholders written notice at least ten days in advance of all shareholders' meetings, and to provide for such notice in its by-laws.

In addition, the company must immediately notify the Exchange when it establishes a date for the taking of a record of its shareholders. Such notice must be given at least ten days in advance of the record date.

NOTE: Exchange rules prohibit the closing of a listed company's transfer books, for any purpose.

The Exchange recommends that such notice and proxy-soliciting material be received by shareholders as many days as possible (preferably at least 20 days) in advance of the meeting. A similar arrangement should be followed in delivering such proxy material to Participants in order to allow such organizations ample time to mail the material to, and receive voting instructions from, beneficial owners.

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Companies should be aware that the Exchange's proxy rules provide that in the case of a routine meeting (see Rule 26723), if the proxy material is distributed by a Participant, as record holder, to the beneficial owners of the Securities, at least 15 days before the meeting, and voting instructions from the beneficial owner are not received ten days prior to the meeting, the Participant may then vote the proxy in its discretion. Otherwise, the Participant must receive specific voting instructions from its customers.

If a company plans to request brokers to forward proxy-soliciting material to customers, it should communicate with the brokers at least ten days in advance of the voting record date for the meeting:

- (a) informing them of the record and meeting dates:
- (b) providing them with a return postcard on which they may indicate the number of sets of proxy material required for transmittal to customers; and
- (c) agreeing to reimburse them for out-of-pocket expenses incurred in handling the material.
The sets of proxy material distributed to Participants should include the required number of proxies and annual reports to assure compliance with the rules and regulations of the Exchange and the SEC.

26704. Annual Meetings

Each issuer listing equity Securities or voting preferred Securities, and/or their equivalents, shall hold an annual meeting of shareholders no later than one year after the end of the issuer's fiscal year.

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At each annual meeting, shareholders must be afforded the opportunity to discuss company affairs with management and, if required by the issuer's governing documents, to elect directors. A new listing that was not previously subject to a requirement to hold an annual meeting is required to hold its first annual meeting within one year after its first fiscal year-end following listing. In addition, an issuer is not required to hold an annual meeting:

- With respect to any fiscal year less than 12 months long that results from a change in fiscal year end; or
- In the year in which it completes an initial public offering.

However, the Exchange's annual meeting requirement does not supplant any applicable state or federal securities laws concerning annual meetings.

26705. Meetings and Solicitations of Proxies Required

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A listed company is required, with respect to any matter requiring authorization by its shareholders, to either (a) hold a meeting of its shareholders in accordance with its charter, by-laws and applicable state or other laws and to solicit proxies (pursuant to a proxy statement conforming to the proxy rules of the SEC) for such meeting of shareholders, or, (b) use written consents in lieu of a special meeting of shareholders as permitted by applicable law. The Exchange has no separate requirements with respect to the solicitation of such consents, but listed companies must comply with applicable state and federal laws and rules (including interpretations thereof), including without limitation, SEC Regulations 14A and 14C.

26706 - 26709. Reserved**26710. Vote Required**

- (a) With respect to votes cast on a proposal in person or by proxy, the minimum vote, under Rules 26711, 26712 and 26713, which will constitute shareholder approval for listing purposes, is defined as approval by a majority of votes cast. (See Rule 26123 regarding quorum requirements.) With respect to the use of written consents in lieu of a special shareholders meeting, the written consent to the proposal of holders of a majority of the shares entitled to vote will constitute shareholder approval for listing purpose under Rules 26711, 26712 and 26713.
- (b) An exception to the shareholder approval requirements contained in Rules 26711, 26712 and 26713 below may be made with respect to a specified issuance of Securities upon prior written application to the Exchange when (1) the delay in securing shareholder approval would seriously jeopardize the financial viability of the enterprise, and (2) reliance by the company on this exception is expressly approved by the audit committee of the company's board of directors or a comparable body of the board of directors comprised solely of independent, disinterested directors. The company is not permitted to issue, or to authorize its transfer agent or registrar to issue or register the Securities in question until it has received written notification from the Exchange that the exception to the shareholder approval requirements has been granted and the Securities have been approved for listing pursuant to Rule 26301.

A company that receives such an exception must mail to all shareholders not later than ten days before issuance of the Securities a letter alerting them to its omission to seek the shareholder approval that would otherwise be required. Such notification shall disclose the terms of the transaction (including the number of equity Securities that could be issued and the consideration received), the fact that the company is relying on a financial viability exception to the shareholder approval rules, and that the audit committee or a comparable body of the board of directors comprised solely of independent, disinterested directors has expressly approved the company's reliance on the exception. The company shall also make a public announcement through the news media disclosing the same information as promptly as possible, but no later than ten days before the issuance of the Securities.

26711. Shareholder Approval of Option and Equity Compensation Plans

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Approval of shareholders is required in accordance with Rule 26705 with respect to the establishment of (or material amendment to) a stock option or purchase plan or other equity compensation arrangement pursuant to which options, or stock (or Securities) may be acquired by officers, directors, employees, or consultants, regardless of whether or not such authorization is required by law or by the company's charter, except for:

- (a) issuances to an individual, not previously an employee or director of the company, or following a bona fide period of non-employment, as an inducement material to entering into employment with the company provided that such issuances are approved by the company's independent compensation committee or a majority of the company's independent directors, and, promptly following an issuance of any employment inducement grant in reliance on this exception, the company discloses in a press release the material terms of the grant, including the recipient(s) of the grant and the number of shares involved; or
- (b) tax-qualified, non-discriminatory employee benefit plans (e.g., plans that meet the requirements of Section 401(a) or 423 of the Internal Revenue Code) or parallel nonqualified plans, provided such plans are approved by the company's independent compensation committee or a majority of the company's independent directors; or plans that merely provide a convenient way to purchase shares in the open market or from the issuer at fair market value; or
- (c) a plan or arrangement relating to an acquisition or merger; or
- (d) warrants or rights issued generally to all security holders of the company or stock (or Security) purchase plans available on equal terms to all security holders of the company (such as a typical dividend reinvestment plan).

A listed company is required to notify the Exchange in writing with respect to the use of any of the exceptions set forth in paragraphs (a) through (d).

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Rule 26711 requires shareholder approval when a plan or other equity compensation arrangement is established or materially amended. For these purposes, a material amendment would include, but not be limited to, the following:

- (a) any material increase in the number of shares to be issued under the plan (other than to reflect a reorganization, share split, merger, spinoff or similar transaction);
- (b) any material increase in benefits to participants, including any material change to: (i) permit a repricing (or decrease in exercise price) of outstanding options, (ii) reduce the price at which shares, or options to purchase shares may be offered, or (iii) extend the duration of a plan;
- (c) any material expansion of the class of participants eligible to participate in the plan; and

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(d) any expansion in the types of options or awards provided under the plan.

While general authority to amend a plan would not obviate the need for shareholder approval, if a plan permits a specific action without further shareholder approval, then no such approval would generally be required. However, if a plan contains a formula for automatic increases in the shares available (sometimes called an “evergreen formula”), or for automatic grants pursuant to a dollar-based formula (such as annual grants based on a certain dollar value, or matching contributions based upon the amount of compensation the participant elects to defer), such plans cannot have a term in excess of ten years unless shareholder approval is obtained every ten years. Plans that do not contain a formula and do not impose a limit on the number of shares available for grant would require shareholder approval of each grant under the plan. A requirement that grants be made out of treasury shares or repurchased shares will not alleviate these additional shareholder approval requirements.

As a general matter, when preparing plans and presenting them for shareholder approval, issuers should strive to make plan terms easy to understand. In that regard, it is recommended that plans meant to permit repricing use explicit terminology to make this clear.

Rule 26711 provides an exception to the requirement for shareholder approval for warrants or rights offered generally to all security holders. In addition, an exception is provided for tax qualified, non-discriminatory employee benefit plans as well as parallel nonqualified plans, as these plans are regulated under the Internal Revenue Code and Treasury Department regulations. An equity compensation plan that provides non-U.S. employees with substantially the same benefits as a comparable tax-qualified, non-discriminatory employee benefit plan or parallel nonqualified plan that the issuer provides to its U.S. employees, but for features necessary to comply with applicable foreign tax law, is also exempt from shareholder approval under this rule.

Further, there is an exception for inducement grants to new employees because in these cases a company has an arm’s length relationship with the new employees. Inducement grants for these purposes include grants of options or stock to new employees in connection with a merger or acquisition. Rule 26711 requires that such issuances must be approved by the issuer’s independent compensation committee or a majority of the issuer’s independent directors. Also, promptly following an issuance of any employment inducement grant in reliance on this exception, the listed company must disclose in a press release the material terms of the grant, including the recipient(s) of the grant and the number of shares involved.

In addition, plans or arrangements involving a merger or acquisition do not require shareholder approval in two situations. First, shareholder approval will not be required to convert, replace or adjust outstanding options or other equity compensation awards to reflect the transaction. Second, shares available under certain plans acquired in acquisitions and mergers may be used for certain post-transaction grants without further shareholder approval. This exception applies to situations where the party which is not a listed company following the transaction has shares available for grant under pre-existing plans that meet the requirements of this Rule 26711. These shares may be used for post-transaction grants of options and other equity awards by the listed

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company (after appropriate adjustment of the number of shares to reflect the transaction), either under the pre-existing plan or arrangement or another plan or arrangement, without further shareholder approval, provided: (1) the time during which those shares are available for grants is not extended beyond the period when they would have been available under the pre-existing plan, absent the transaction, and (2) such options and other awards are not granted to individuals who were employed by the granting company or its subsidiaries at the time the merger or acquisition was consummated. A plan or arrangement adopted in contemplation of the merger or acquisition transaction would not be viewed as pre-existing for purposes of this exception. This exception is appropriate because it will not result in any increase in the aggregate potential dilution of the combined enterprise. In this regard, any additional shares available for issuance under a plan or arrangement acquired in connection with a merger or acquisition would be counted in determining whether the transaction involved the issuance of 20% or more of the company's outstanding Equity shares, thus triggering the shareholder approval requirements of Rule 26712(b).

Inducement grants, tax qualified non-discriminatory benefit plans, and parallel nonqualified plans are subject to approval by either the issuer's independent compensation committee, or a majority of the issuer's independent directors. A listed company is not permitted to use repurchased shares to fund option plans or grants without prior shareholder approval. In addition, the issuer must notify the Exchange in writing when it uses any of these exceptions (see also Rule 26300 Series with respect to the requirements applicable to additional listing of the underlying shares).

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The term "parallel nonqualified plan" means a plan that is a "pension plan" within the meaning of the Employee Retirement Income Security Act ("ERISA"), 29 U.S.C. §1002 (1999), that is designed to work in parallel with a plan intended to be qualified under Internal Revenue Code Section 401(a), to provide benefits that exceed the limits set forth in Internal Revenue Code Section 402(g) (the section that limits an employee's annual pre-tax contributions to a 401(k) plan), Internal Revenue Code Section 401(a)(17) (the section that limits the amount of an employee's compensation that can be taken into account for plan purposes) and/or Internal Revenue Code Section 415 (the section that limits the contributions and benefits under qualified plans) and/or any successor or similar limitations that may thereafter be enacted. However, a plan will not be considered a parallel nonqualified plan unless (i) it covers all or substantially all employees of an employer who are participants in the related qualified plan whose annual compensation is in excess of the limit of Code Section 401(a)(17) (or any successor or similar limitation that may hereafter be enacted) and (ii) its terms are substantially the same as the qualified plan that it parallels except for the elimination of the limitations described in the preceding sentence; and (iii) no participant receives employer equity contributions under the plan in excess of 25% of the participant's cash compensation.

26712. Acquisitions

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Approval of shareholders is required in accordance with Rule 26705 as a prerequisite to approval of applications to list additional shares to be issued as sole or partial consideration for an acquisition of the equity or assets of another company in the following circumstances:

(a) if any individual director, officer or substantial shareholder of the listed company has a 5% or greater interest (or such persons collectively have a 10% or greater interest), directly or indirectly, in the company or assets to be acquired or in the consideration to be paid in the transaction and the present or potential issuance of equity Securities or common stock, or securities convertible into equity Securities or common stock, could result in an increase in total outstanding equity Securities and common stock of 5% or more; or

(b) where the present or potential issuance of equity Securities, or securities convertible into equity Securities or common stock, could result in an increase in total outstanding equity Securities and common stock of 20% or more.

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A series of closely related transactions may be regarded as one transaction for the purpose of this policy. Companies engaged in merger or acquisition discussions must be particularly mindful of the Exchange's timely disclosure policies. In view of possible market sensitivity and the importance of providing investors with sufficient information relative to an intended merger or acquisition, listed company representatives are strongly urged to consult with the Exchange in advance of such disclosure.

26713. Other Transactions

The Exchange will require shareholder approval in accordance with Rule 26705 as a prerequisite to approval of applications to list additional Securities in the following circumstances:

- (a) when the additional shares will be issued in connection with a transaction involving:
- (1) the sale, issuance, or potential issuance by the issuer of equity Securities or common stock (or securities convertible into equity Securities or common stock) at a price less than the greater of book or market value which together with sales by officers, directors or principal shareholders of the issuer equals 20% or more of total equity Securities and common stock presently outstanding; or
 - (2) the sale, issuance, or potential issuance by the issuer of equity Securities or common stock (or securities convertible into equity Securities or common stock) equal to 20% or more of total equity Securities and common stock presently outstanding for less than the greater of book or market value of the equity Securities and common stock; or
- (b) when the issuance or potential issuance of additional shares will result in a change of control of the issuer, including, but not limited to, those issuances that constitute a Reverse Merger as specified in Rule 26341.

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The Exchange should be consulted whenever an issuer is considering issuing a significant percentage of its shares, to ascertain whether shareholders' approval will be required under this rule.

NOTE: This rule does not apply to public offerings.

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Rule 26713 provides that shareholder approval is required for “a transaction involving the sale or issuance by the company of equity Securities or common stock (or securities convertible into or exercisable for equity Securities or common stock) equal to 20 percent or more of total Securities and common stock presently outstanding for less than the greater of book or market value of the Security or common stock.” Under this rule, shareholder approval is not required for a “public offering.”

Issuers are encouraged to consult with the Exchange in order to determine if a particular offering is a “public offering” for purposes of the shareholder approval rules. Generally, a firm commitment underwritten securities offering registered with the Securities and Exchange Commission will be considered a public offering for these purposes. Likewise, any other securities offering which is registered with the Securities and Exchange Commission and which is publicly disclosed and distributed in the same general manner and extent as a firm commitment underwritten securities offering will be considered a public offering for purposes of the shareholder approval rules. However, the Exchange will not treat an offering as a “public offering” for purposes of the shareholder approval rules merely because they are registered with the Commission prior to the closing of the transaction.

When determining whether an offering is a “public offering” for purposes of these rules, the Exchange will consider all relevant factors, including but not limited to:

- (i) the type of offering (including whether the offering is conducted by an underwriter on a firm commitment basis, or an underwriter or placement agent on a best-efforts basis, or whether the offering is self-directed by the issuer);
- (ii) the manner in which the offering is marketed (including the number of investors offered securities, how those investors were chosen, and the breadth of the marketing effort);
- (iii) the extent of the offering's distribution (including the number and identity of the investors who participate in the offering and whether any prior relationship existed between the issuer and those investors);
- (iv) the offering price (including the extent of any discount to the market price of the Securities offered); and
- (v) the extent to which the issuer controls the offering and its distribution.

EXHIBIT 5A**26714 – 26719. Reserved****26720. Application of Proxy Rules**

Rules 26720 through 26725 and Rule 22020, inclusive applies to Participants regardless of whether the Security involved is traded on the Exchange. However, if a conflict arises between this rule and those of another registered national securities association or exchange, the rules of the Exchange apply only if it is the principal market for the Security.

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All Participants are expected to be familiar with the proxy rules of the Securities and Exchange Commission.

26721. Giving of Proxies—Restrictions on Participants

No Participant shall give or authorize the giving of a proxy to vote Securities registered in its name, or in the name of its nominee, except as required or permitted under the provisions of Rule 26723, unless such Participant is the beneficial owner of such Securities. Notwithstanding the foregoing.

(1) any Participant designated by a named fiduciary as the investment manager of Securities held as assets of an ERISA Plan that expressly grants discretion to the investment manager to manage, acquire, or dispose of any plan asset and which has not expressly reserved the proxy voting right for the named fiduciary may vote the proxies in accordance with its ERISA Plan fiduciary responsibilities; and

(2) any person registered as an investment adviser either under the Investment Advisers Act of 1940 or under the laws of a state, who exercises investment discretion pursuant to an advisory contract for the beneficial owner and has been designated in writing by the beneficial owner to vote the proxies for Securities which is in the possession or control of the Participant, may vote such proxies.

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The term “state” as used in Rules 26721, 26722, 26723 and 26725 shall have the meaning given to such term in Section 202(a)(19) of the Investment Advisers Act of 1940, as such term may be amended from time to time therein.

26722. Transmission of Proxy Material to Customers

(a) Whenever a person soliciting proxies shall furnish a Participant:

(1) copies of all soliciting material which such person is sending to registered holders, and

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(2) satisfactory assurance that he will reimburse such Participant for all out-of-pocket expenses, including reasonable clerical expenses, incurred by such Participant in connection with such solicitation, such Participant shall transmit to each beneficial owner of Securities which is in its possession or control or to an investment adviser registered either under the Investment Advisers Act of 1940 or under the laws of a state, who exercises investment discretion pursuant to an advisory contract for the beneficial owner and has been designated in writing by the beneficial owner of such Security (hereinafter “designated adviser”) to receive soliciting material in lieu of the beneficial owner, the material furnished; and

(b) such Participant shall transmit with such material either:

(1) a request for voting instructions and, as to matters which may be voted without instructions under Rule 26723, a statement to the effect that, if such instructions are not received by the tenth day before the meeting, the proxy may be given at discretion by the owner of record of the Security; provided, however, that such statement may be made only when the proxy soliciting material is transmitted to the beneficial owner of the Security or to the beneficial owner’s designated investment adviser, at least fifteen days before the meeting. When the proxy soliciting material is transmitted to the beneficial owner of the Security or to the beneficial owner’s designated investment adviser twenty-five days or more before the meeting, the statement accompanying such material shall be to the effect that the proxy may be given fifteen days before the meeting at the discretion of the owner of record of the Security; or

(2) a signed proxy indicating the number of Securities held for such beneficial owner and bearing a symbol identifying the proxy with proxy records of such Participant, and also a letter informing the beneficial owner or the beneficial owner’s designated investment adviser, of the necessity for completing the proxy form and forwarding it to the person soliciting proxies in order that the Securities may be represented at the meeting.

IM-26722-1 Annual reports to be transmitted

The annual report shall be transmitted to beneficial owners or to the beneficial owners’ designated investment advisers under the same conditions as those applying to proxy soliciting material under Rule 26722 even though it is not proxy-soliciting material under the proxy rules of the Securities and Exchange Commission.

IM-26722-2 Forms of letters to clients requesting voting instructions

The BSTX Listing Supplement contains specimens of letters containing the information and instructions required pursuant to the proxy rules to be given to clients in the circumstances indicated in the appropriate heading. These are shown as examples and not as prescribed forms. Participants are permitted to adapt the form of these letters for their own purposes provided all of the required information and instructions are clearly enumerated in letters to clients.

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These letters are designed to permit furnishing to clients the actual proxy form for use in transmitting instructions to the Participant.

IM-26722-3 Forwarding of signed proxy

The following conditions shall be met by a Participant adopting the procedure of sending signed proxies to customers:

- (1) Each signed proxy sent to a customer shall contain a code number for identification and the exact number of Securities held of record for the account of the customer.
- (2) Signed proxies sent to customers shall be accompanied by appropriate instructions to the customer for transmitting his vote to the company.
- (3) The Participant shall advise the company of the number of proxies sent to customers and the identifying numbers and Securities represented by such proxies.
- (4) When requested by a company, the Participant shall send a follow-up request to customers whose proxies have not been received by the company.
- (5) Records of the Participant covering the solicitation of proxies shall show:
 - (a) the date of receipt of the proxy material from the issuer or other person soliciting the proxies;
 - (b) names of customers to whom the material and proxies are sent, and the date of mailing;
 - (c) the number of Securities covered by each proxy;
 - (d) the code number of each customer's proxy.

IM-26722-4 Forms of letters to clients to accompany signed proxies

The BSTX Listing Supplement contains specimens of letters containing the information and instructions required pursuant to the proxy rules to be given to clients in the circumstances indicated in the appropriate heading. These are shown as examples and not as prescribed forms.

IM-26722-5 Method to be used in transmission of proxy material

First class mail should be used to facilitate the obtaining of voting instructions or forwarding signed proxies, unless another method is specified by the persons for whom the material is transmitted.

IM-26722-6 Duty to transmit even when requested not to

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The proxy material must be sent to a beneficial owner even though such owner has instructed the Participant not to do so, unless the beneficial owner has instructed the Participant in writing to send such material to the beneficial owner's designated investment adviser.

IM-26722-7 Duty of out-of-town Participants

If securities are held in an omnibus account for an out-of-town or non-clearing BSTX Participant organization, it is incumbent upon the out-of-town or non-clearing BSTX Participant to see that the necessary proxy material is transmitted to the beneficial owners and that the proper records relative thereto are kept.

IM-26722-8 Approved charges by Participants in connection with proxy solicitations.

The rates of reimbursement of Participants for all out-of-pocket expenses must be fair and reasonable, including reasonable clerical expenses, incurred in connection with proxy solicitations pursuant to Rule 26722 and in mailing interim reports or other material pursuant to Rule 26725. In addition to the charges specified in this schedule, BSTX Participants also are entitled to receive reimbursement for: (i) actual postage costs (including return postage at the lowest available rate); (ii) the actual cost of envelopes (provided they are not furnished by the person soliciting proxies); and (iii) any actual communication expenses (excluding overhead) incurred in receiving voting returns either telephonically or electronically.

Charges for Initial Proxy and/or Annual Report Mailings

40¢ for each set of proxy material, i.e., proxy statement, form of proxy and annual report when mailed as a unit, unless an opposition proxy statement has been furnished to security holders, with a minimum of \$5.00 for all sets mailed;

\$1.00 for each set of proxy material, i.e., proxy statement, form of proxy and annual report when mailed as a unit, for a meeting for which an opposition proxy statement has been furnished to security holders, with a minimum of \$5.00 for all sets mailed;

15¢ for each copy, plus postage, for annual reports, which are mailed separately from the proxy material pursuant to the instruction of the person soliciting proxies, with a minimum charge of \$3.00 for all sets mailed.

Supplemental proxy fees for intermediaries that coordinate multiple nominees:

\$20.00 per nominee plus (i) 10¢ for each set of proxy material, with respect to issuers whose shares are held in fewer than 200,000 nominee accounts, or (ii) 5¢ for each set of proxy material, with respect to issuers whose shares are held in at least 200,000 nominee accounts.

Charges for Proxy Follow-up Mailings

40¢ for each set of follow-up materials, plus postage.

EXHIBIT 5A**Charges for Interim Report Mailings**

15¢ for each copy, plus postage, for interim reports, annual reports if mailed separately, post meeting reports or other material, with a minimum of \$2.00 for all sets mailed.

BSTX Participants may charge for envelopes, provided they are not furnished by the person soliciting proxies.

Incentive Fees

An "Incentive Fee" (as defined below) for proxy material mailings, including the annual report, and 10¢ for interim report mailings, with respect to each account where the BSTX Participants has eliminated the need to send materials in paper format through the mails (such as by including multiple proxy ballots or forms in one envelope with one set of material mailed to the same household, by distributing multiple proxy ballots or forms electronically thereby reducing the sets of material mailed, or by distributing some or all material electronically.)

With respect to issuers whose shares are held in at least 200,000 nominee accounts, the Incentive Fee shall be 25¢.

With respect to issuers whose shares are held in fewer than 200,000 nominee accounts, the Incentive Fee shall be 50¢.

IM-26722-9.0

Proxy solicitation surcharge payable by issuers in connection with Rules 14b-1(c) and 17a-3(a)(9)(ii) of the Securities Exchange Act of 1934. The following describes the acceptable surcharge on issuers (as a fair and reasonable rate of reimbursement of Participants) for direct and indirect expenses associated with start-up costs incurred to comply with Rules 14b-1(c) and 17a-3(a)(9)(ii) of the Securities Exchange Act of 1934:

Surcharge For Proxy Mailings For Annual Meetings

A surcharge for each set of proxy material, i.e. proxy statement and form of proxy (not including follow-up mailings), mailed in connection with each of the issuer's next two annual meetings held after March 28, 1985, at the following rates: 20¢ for each set of proxy material mailed in connection with the first such annual meeting; and 18 1/2¢ for each set of proxy material mailed in connection with the second such annual meeting. This surcharge will be in addition to the appropriate charge(s) specified in **IM-26722-8** regarding approved charges by Participants in connection with proxy solicitations and Rule 26725.20 regarding mailing charges by BSTX Participants.

IM-26722-9.1

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The following is a fair and reasonable rate of reimbursement of Participants for out-of-pocket expenses (except as referred to below), including reasonable clerical expenses, incurred in connection with furnishing non-objecting beneficial ownership information to requesting issuers pursuant to Rule 14b-1(c) of the Securities Exchange Act of 1934:

Charge For Providing Beneficial Ownership Information

6 1/2% per name of non-objecting beneficial owner provided to a requesting issuer. Where the non-objecting beneficial ownership information is not furnished directly to the issuer by the Participant, but is furnished through an agent designated by the Participant, the issuer will be expected to pay the reasonable expenses of the agent in providing such information, in addition to the rate described above. (See SEC Rules 14a-13(b) and 14c-7(b) under the Securities Exchange Act of 1934 and notes thereto.)

Any Participant that designates an agent for the purpose of furnishing requesting issuers with beneficial ownership information pursuant to SEC Rule 14b-1(c) and thereafter cancels that designation or appoints a new agent for such purpose should promptly inform interested issuers.

IM-26722-9.3

Participants are required to mail out such material as provided by Rules 26722 and 26725 when satisfactory assurance is received of reimbursement of expenses at such rates: provided that a Participant may request reimbursement of expenses at less than Exchange approved rates; however, no Participant may seek reimbursement at rates higher than any Exchange approved rates or for items or services not specifically listed by the Exchange without the prior notification to and consent of the person soliciting proxies or the company.

IM-26722-9.4 “Householding” of Reports

Rules 26722 and 26725 require Participants to transmit issuer-supplied annual reports, interim reports, proxy statements and other material to beneficial owners. Participants are not required to transmit more than one annual report, interim report, proxy statement or other material to beneficial owners with more than one account (including trust accounts). In addition, Participants may eliminate multiple transmissions of reports, statements or other materials to beneficial owners having the same address, provided they comply with applicable SEC rules with respect thereto (see SEC Rule 14b-1 under the Securities Exchange Act of 1934).

26723. Giving Proxies By Participants

A Participant shall give or authorize the giving of a proxy for Securities registered in its name, or in the name of its nominee, at the direction of the beneficial owner. If the Security is not in the control or possession of the Participant, satisfactory proof of the beneficial ownership as of the record date may be required.

EXHIBIT 5A**(a) Voting Participant Holdings as Executor, etc.**

A Participant may give or authorize the giving of a proxy to vote any Security registered in its name, or in the name of its nominee, if such Participant holds such Securities as executor, administrator, guardian, trustee, or in a similar representative or fiduciary capacity with authority to vote.

(b) Voting Procedure Without Instructions

A Participant which has transmitted proxy soliciting material to the beneficial owner of a Security or to an investment adviser registered either under the Investment Advisers Act of 1940 or under the laws of a state who exercises investment discretion pursuant to an advisory contract for the beneficial owner and has been designated in writing by the beneficial owner of such Security (hereinafter “designated investment adviser”) to receive soliciting material in lieu of the beneficial owner and solicited voting instructions in accordance with the provisions of Rule 26722, and which has not received instructions from the beneficial owner or from the beneficial owner’s designated investment adviser by the date specified in the statement accompanying such material, may give or authorize the giving of a proxy to vote such Security, provided the person in the Participant organization giving or authorizing the giving of the proxy has no knowledge of any contest as to the action to be taken at the meeting and provided such action is adequately disclosed to Security holders and does not include authorization for a merger, consolidation or any other matter which may affect substantially the rights or privileges of such Security.

(c) Instructions on Securities in Names of Other Participants

A Participant which has in its possession or control Securities registered in the name of another Participant, and which has solicited voting instructions in accordance with the provisions of Rule 26722(b)(1), shall

- (1) Forward to the second Participant any voting instructions received from the beneficial owner, or
- (2) if the proxy-soliciting material has been transmitted to the beneficial owner of the Security in accordance with Rule 26722 and no instructions have been received by the date specified in the statement accompanying such material, notify the second Participant of such fact in order that such Participant may give the proxy as provided in the third paragraph of this rule.

(d) Signed Proxies for Securities in Names of Other Participants

A Participant which has in its possession or control Securities registered in the name of another Participant, and which desires to transmit signed proxies pursuant to the provisions of Rule 26722(b)(2), shall obtain the requisite number of signed proxies from such holder of record.

IM-26723-1 When a Participant may vote without customer instructions.

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Rule 26723, above, provides that a Participant may give a proxy to vote Securities provided that:

- (1) it has transmitted proxy soliciting material to the beneficial owner of Securities or to the beneficial owner's designated investment adviser in accordance with Rule 26722, and
- (2) it has not received voting instructions from the beneficial owner or from the beneficial owner's designated investment adviser, by the date specified in the statement accompanying such material, and
- (3) the person at the Participant giving or authorizing the giving of the proxy has no knowledge of any contest as to the action to be taken at the meeting and provided such action is adequately disclosed to shareholders and does not include authorization for a merger, consolidation or any matter which may affect substantially the rights or privileges of such Securities.

IM-26723-2 When Participants may not vote without customer instructions

In the list of meetings of shareholders, after proxy material has been reviewed by the Exchange, each meeting will be designated by an appropriate symbol to indicate either (a) that Participants may vote a proxy without instructions of beneficial owners, (b) that Participants may not vote specific matters on the proxy, or (c) that Participants may not vote the entire proxy.

Generally speaking, a Participant may not give or authorize a proxy to vote without instructions from beneficial owners when the matter to be voted upon:

- (1) is not submitted to shareholders by means of a proxy statement comparable to that specified in Schedule 14-A of the Securities and Exchange Commission;
- (2) is the subject of a counter-solicitation, or is part of a proposal made by a shareholder which is being opposed by management (i.e., a contest);
- (3) relates to a merger or consolidation (except when the company's proposal is to merge with its own wholly owned subsidiary, provided its shareholders dissenting thereto do not have rights of appraisal);
- (4) involves right of appraisal;
- (5) authorizes mortgaging of property;
- (6) authorizes or creates indebtedness or increases the authorized amount of indebtedness;
- (7) authorizes or creates a preferred Security or stock, or increases the authorized amount of an existing preferred Security or stock;

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- (8) alters the terms or conditions of existing Securities or indebtedness;
- (9) involves waiver or modification of preemptive rights;
- (10) changes existing quorum requirements with respect to shareholder meetings;
- (11) alters voting provisions or the proportionate voting power of a Security, or the number of its votes per Security (except where cumulative voting provisions govern the number of votes per Security for election of directors and the company's proposal involves a change in the number of its directors by not more than 10% or not more than one);
- (12) authorizes the implementation of any equity compensation plan, or any material revision to the terms of any existing equity compensation plan (whether or not shareholder approval of such plan is required by Rule 26711;

Commentary to Item 12 - A Participant may not give or authorize a proxy to vote without instructions on a matter relating to executive compensation, even if such matter would otherwise qualify for an exception from the requirements of Item 12, Item 13 or any other Item under this Rule 26723. See Item 21.

- (13) authorizes
 - (a) a new profit-sharing or special remuneration plan, or a new retirement plan, the annual cost of which will amount to more than 10% of average annual income before taxes for the preceding five years, or
 - (b) the amendment of an existing plan which would bring its cost above 10% of such average annual income before taxes.

Exception may be made in cases of

- (a) retirement plans based on agreement or negotiations with labor unions (or which have been or are to be approved by such unions); and
- (b) any related retirement plan for benefit of non-union employees having terms substantially equivalent to the terms of such union-negotiated plan, which is submitted for action of shareholders concurrently with such union-negotiated plan.

Commentary to Item 13 - A Participant may not give or authorize a proxy to vote without instructions on a matter relating to executive compensation, even if such matter would otherwise qualify for an exception from the requirements of Item 12, Item 13 or any other Item under this Rule 26723. See Item 21.

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- (14) changes the purposes or powers of a company to an extent which would permit it to change to a materially different line of business and it is the company's stated intention to make such a change;
- (15) authorizes the acquisition of property, assets, or a company, where the consideration to be given has a fair value approximating 20% or more of the market value of the previously outstanding Securities;
- (16) authorizes the sale or other disposition of assets or earning power approximating 20% or more of those existing prior to the transaction;
- (17) authorizes a transaction not in the ordinary course of business in which an officer, director or substantial security holder has a direct or indirect interest;
- (18) reduces earned surplus by 51% or more, or reduces earned surplus to an amount less than the aggregate of three years' Security dividends computed at the current dividend rate;
- (19) is the election of directors, provided, however, that this prohibition shall not apply in the case of a company registered under the Investment Company Act of 1940;
- (20) materially amends an investment advisory contract with an investment company; or

Commentary to Item 20 - A material amendment to an investment advisory contract would include any proposal to obtain shareholder approval of an investment company's investment advisory contract with a new investment adviser, which approval is required by the Investment Company Act of 1940, as amended (the "1940 Act"), and the rules thereunder. Such approval will be deemed to be a "matter which may affect substantially the rights or privileges of such stock" for purposes of this rule so that a Participant may not give or authorize a proxy to vote Securities registered in its name absent instruction from the beneficial holder of the Securities. As a result, for example, a Participant may not give or authorize a proxy to vote Securities registered in its name, absent instruction from the beneficial holder of the Securities, on any proposal to obtain shareholder approval required by the 1940 Act of an investment advisory contract between an investment company and a new investment adviser due to an assignment of the investment company's investment advisory contract, including an assignment caused by a change in control of the investment adviser that is party to the assigned contract.

- (21) relates to executive compensation.

Commentary to Item 21 - A matter relating to executive compensation would include, among other things, the items referred to in Section 14A of the Exchange Act, including (i) an advisory vote to approve the compensation of executives, (ii) a vote on whether to hold such an advisory vote every one, two or three years, and (iii) an advisory vote to approve any type of compensation (whether present, deferred, or contingent) that is based on or otherwise relates to an acquisition, merger, consolidation, sale, or other disposition of all or

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substantially all of the assets of an issuer and the aggregate total of all such compensation that may (and the conditions upon which it may) be paid or become payable to or on behalf of an executive officer. In addition, a Participant may not give or authorize a proxy to vote without instructions on a matter relating to executive compensation, even if such matter would otherwise qualify for an exception from the requirements of Item 12, Item 13 or any other Item under this Rule 26723. Any vote on these or similar executive compensation-related matters is subject to the requirements of Rule 26723.

IM-26723-3 Discretionary and non-discretionary proposals in one proxy form

In some cases, a proxy form may contain proposals, some of which may be acted upon at the discretion of the Participant in the absence of instructions, and others which may be voted only in accordance with the directions of the beneficial owner. This should be indicated in the letter of transmittal. In such cases, the Participant may vote the proxy in the absence of instructions if it physically crosses out those portions where it does not have discretion.

IM-26723-4 Cancellation of discretionary proxy where counter-solicitation develops

Where a discretionary proxy has been given in good faith under the rules and counter-solicitation develops at a later date, thereby creating a “contest”, the question as to whether or not the discretionary proxy should then be cancelled is a matter which each Participant must decide for itself. After a contest has developed no further proxies should be given except at the direction of beneficial owners.

IM-26723-5 Subsequent proxy

Where a Participant gives a subsequent proxy, it should clearly indicate whether the proxy is in addition to, in substitution for or in revocation of any prior proxy.

IM-26723-6 Signing and dating proxy-designating Securities covered

All proxies should be dated and should show the number of Securities voted. Since manual signatures are sometimes illegible, a Participant should also either type or rubber-stamp its name on such proxy.

IM-26723-7 Proxy records

Records covering the solicitation of proxies shall show the following:

- (1) the date of receipt of the proxy material from the issuer or other person soliciting the proxies;
- (2) names of customers to whom the material is sent together with date of mailing;

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- (3) all voting instructions showing whether verbal or written; and
- (4) a summary of all proxies voted by the Participant clearly setting forth total Securities voted for or against or not voted for each proposal to be acted upon at the meeting.

Verbal voting instructions may be accepted provided a record is kept of the instructions of the beneficial owner and the instructions are retained by the Participant. The record shall also indicate the date of the receipt of the instructions and the name of the recipient.

Instructions from beneficial owners may also be accepted by Participants or their agents through the use of an automated telephone voting system or other electronic means, which has been approved by the Exchange. Such a system shall utilize an identification code for beneficial owners and provide an opportunity for beneficial owners to validate votes to ensure that they were received correctly. The automated system must provide beneficial owners with the same power and authority to issue, revoke, or otherwise change voting instructions as currently exists for instructions communicated in written form. Records of voting including the date of receipt of instructions and the name of the recipient must be retained by the Participant or their agents.

IM-26723-8 Retention of records

All proxy solicitation records, originals of all communications received and copies of all communications sent relating to such solicitation, shall be retained for a period of not less than three years, the first two years in an easily accessible place.

26724. Transfers to Facilitate Solicitation

A Participant, when so requested by the Exchange, shall transfer Securities held either for its own account or for the account of others, if registered in the name of a previous holder of record, into its own name, or in the name of its nominee, prior to the taking of a record of shareholders, to facilitate the convenient solicitation of proxies.

The Exchange will make such request at the instance of the issuer or of persons owning in the aggregate at least 10 percent of such Security, provided, if the Exchange so requires, the issuer or persons making such request agree to indemnify Participants against transfer taxes, the Exchange may make such a request whenever it deems it advisable.

26725. Transmission of Interim Reports and Other Material

A BSTX Participant, when so requested by a company, and upon being furnished with:

- (1) copies of interim reports of earnings or other material being sent to shareholders, and
- (2) satisfactory assurance that it will be reimbursed by such company for all out-of-pocket expenses, including reasonable clerical expenses, shall transmit such reports or materials to each beneficial owner of Securities of such company held by such Participant and registered in a name other than the name of the beneficial owner unless the beneficial owner has

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instructed the Participant in writing to transmit such reports or material to a designated investment adviser registered either under the Investment Advisers Act of 1940 or under the laws of a state, who exercises investment discretion pursuant to an advisory contract for such beneficial owner.

IM-26725-1

This rule applies to both listed and unlisted companies.

IM-26725-2

Mailing charges by Participants are set forth at IM-26722-8, IM-26722-9.0, IM-26722-9.1, IM-26722-9.3 and IM-26722-9.4.

IM-26725-3

Form of bill to be used by member organizations.—

	PROXY INVOICE		
TO:		INVOICE NO.	
CORPORATE			
SECRETARY		DATE	
COMPANY			
ADDRESS		PLEASE DIRECT ANY QUESTION WITH RESPECT TO THIS INVOICE TO	
		(NAME)	(TELEPHONE NO.)
		_____	_____
		BROKERAGE FIRM NAME	

		ENVELOPES	POSTAGE
	NO.		
	SETS	SERVICE (Not supplied	CLASS

DESCRIPTION OF CHANGES	MAILED	FEE	by Issuer) U.S. FOREIGN OF MAIL TOTAL

Proxy Soliciting Mat'l.
 Annual Reports
 (Mailed Separately)
 Proxy Follow-Up
 (Mailed to all Accts.)
 (Mailed Selectively)
 Interim Reports

EXHIBIT 5A

Post Meeting Reports

Stockholder Ltr.

Other (Explain)

TOTAL AMOUNT DUE ->

FOR CORPORATION'S
RECORDS

DATE PAID _____

Please return a copy of this invoice with your
remittance in the enclosed self-addressed
envelope.

CHECK NO. _____

26726. Voting by DMMs

BSTX DMMs are prohibited from soliciting, directly or indirectly, any proxy on behalf of themselves or any other person in respect of a Security in which they are registered as a DMM. DMMs are also prohibited from voting in any proxy contest any such Security in which they have a beneficial interest.

26727. Proxy to Show Number of Securities

In all cases in which a proxy is given by a Participant the proxy shall state the actual number of Securities for which the proxy is given.

26728. Rules Apply to Nominees

Rules 26721 through 26724 and 26727 shall apply also to any nominees of Participants. They shall apply also to voting in person.

26729. Representations to Management

Before a Participant or employee thereof states to the management of a listed company that he represents shareholders in making demands for changes in management or company policies, he must have received permission of such shareholders to make such demands.

26800 – Corporate Governance

26801. General

In addition to the quantitative listing standards set forth in the Rule 26000 Series, this Rule 26800 Series specifies certain corporate governance listing standards. These standards apply to

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all listed companies, subject to the exceptions set forth below, to the extent not inconsistent with Rule 10A-3 under the Securities Exchange Act of 1934.

- (a) **Controlled Companies**—A company in which over 50% of the voting power is held by an individual, a group or another company (a “controlled company”) is not required to comply with Rules 26802(a), 26804 or 26805. A controlled company that chooses to take advantage of any or all of these exceptions must disclose in its annual meeting proxy statement (or in its next annual report on SEC Form 10-K or equivalent if the issuer does not file an annual proxy statement) that it is a controlled company and the basis for that determination.
- (b) **Limited Partnerships and Companies in Bankruptcy**—Limited partnerships and companies in bankruptcy are not required to comply with Rules 26802(a), 26804 or 26805. If a limited partnership is managed by a general partner rather than a board of directors, the audit committee requirements applicable to the listed entity should be satisfied by the general partner.
- (c) **Reserved**
- (d) **Registered Management Investment Companies**—Management investment companies that are registered under the Investment Company Act of 1940 (including closed-end funds) are subject to extensive federal regulation. Accordingly, closed-end funds are not required to comply with the requirements in the Rule 26800 Series other than Rules 26802(e), 26803B(1) and the other provisions of Rule 26803 to the extent required under Rule 10A-3 under the Securities Exchange Act of 1934, and are also required to comply with Rule 26810. Closed-end funds are required to comply with the provision in Rule 26803B(4) requiring audit committees for investment companies to establish procedures for the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters by employees of the investment adviser, administrator, principal underwriter, or any other provider of accounting related services for the investment company, as well as employees of the investment company.
- (e) **Business development companies**, which are a type of closed-end management investment company defined in Section 2(a)(48) of the Investment Company Act of 1940, that are not registered under that Act, are subject to all corporate governance requirements
- (f) **Foreign Issuers**— While foreign issuers, such as Canadian issuers, may receive exemptions from certain provisions of the BSTX Listing Rules, all foreign issuers are nonetheless required to comply with Rule 26810..
- (g) **Preferred**—Companies listing only preferred Securities on the Exchange (including cooperative entities that are structured to comply with relevant state law and federal tax law and do not have a publicly traded class of common stock or equity Security) are only required to comply with Rule 26803 to the extent required by Rule 10A-3 under the Securities Exchange Act of 1934 and the issuer must also comply with Rules 26810(b) and 26810(c).

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- (h) Smaller Reporting Companies - Issuers that satisfy the definition of Smaller Reporting Company in Exchange Act Rule 12b-2 are subject to all requirements specified in Rules 26802 and 26803 below, except that such issuers are only required to maintain a board of directors comprised of at least 50% independent directors, and an audit committee of at least two members, comprised solely of independent directors who also meet the requirements of Rule 10A-3 under the Securities Exchange Act of 1934. Smaller Reporting Companies are subject to Rule 26805, except that they are not subject to Rules 26805(c)(1) and (c)(4).

26802. Board of Directors

- (a) At least a majority of the directors on the Board of Directors of each listed company must be independent directors as defined in Rule 26803A, unless the issuer is a controlled company (see Rule 26801(a)), a Smaller Reporting Company (see Rule 26801 (h)) or otherwise exempt under Rule 26801. Each listed company must disclose in its annual meeting proxy statement (or in its next annual report on SEC Form 10-K or equivalent if the issuer does not file an annual proxy statement) those directors that the board of directors has determined to be independent pursuant to Rule 26803A.
- (b) If an issuer fails to comply with the board independence composition requirement due to one vacancy, or if one director ceases to be independent due to circumstances beyond his or her reasonable control, the issuer shall regain compliance with the requirement by the earlier of its next annual shareholders' meeting or one year from the occurrence of the event that caused the failure to comply with this requirement; provided, however, that if the annual shareholders' meeting occurs no later than 180 days following the event that caused the failure to comply with this requirement, the issuer shall instead have 180 days from such event to regain compliance.
- (c) Each company shall hold meetings of its Board of Directors on at least a quarterly basis. The independent directors shall meet on a regular basis as often as necessary to fulfill their responsibilities, including at least annually in executive session without the presence of non-independent directors and management.
- (d) The Board of Directors of each listed company may not be divided into more than three classes. Where the company's charter provides for classes, they should be of approximately equal size and tenure and directors' terms of office should not exceed three years. This paragraph is not intended to restrict the number of terms of office that a director may serve, whether consecutive or otherwise.
- (e) A listed company is not permitted to appoint or permit an Exchange employee to serve on its Board of Directors.
- (f) Listed companies are urged to develop and implement continuing education programs for all directors, including orientation and training programs for new directors (see also IM-26807-1 to Rule 26807).

EXHIBIT 5A**26803. Independent Directors and Audit Committee****A. Independent Directors.**

(1) Each issuer must have a sufficient number of independent directors on its board of directors (a) such that at least a majority of such directors are independent directors (subject to the exceptions set forth in Rule 26801) and (b) to satisfy the audit committee requirements set forth below.

(2) “Independent director” means a person other than an executive officer or employee of the company. No director qualifies as independent unless the issuer’s board of directors affirmatively determines that the director does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

In addition to the requirements contained in this Rule 26803(a): (i) directors serving on audit committees must also comply with the additional, more stringent requirements set forth in Rule 26803B(2) below; and (ii) directors serving on compensation committees and, in the case of a company that does not have a compensation committee, all independent directors, must also comply with the additional, more stringent requirements set forth in Rule 26805(c) below. The following is a non-exclusive list of persons who shall not be considered independent:

(a) a director who is, or during the past three years was, employed by the company, other than prior employment as an interim executive officer (provided the interim employment did not last longer than one year) (See IM-26803-8;

(b) a director who accepted or has an immediate family member who accepted any compensation from the company in excess of \$120,000 during any period of twelve consecutive months within the three years preceding the determination of independence, other than the following:

(i) compensation for board or board committee service,

(ii) compensation paid to an immediate family member who is an employee (other than an executive officer) of the company,

(iii) compensation received for former service as an interim executive officer (provided the interim employment did not last longer than one year) (See IM-26803-8), or

(iv) benefits under a tax-qualified retirement plan, or non-discretionary compensation;

(c) a director who is an immediate family member of an individual who is, or at any time during the past three years was, employed by the company as an executive officer;

(d) a director who is, or has an immediate family member who is, a partner in, or a controlling shareholder or an executive officer of, any organization to which the company made, or from which the company received, payments (other than those

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arising solely from investments in the company's securities or payments under non-discretionary charitable contribution matching programs) that exceed 5% of the organization's consolidated gross revenues for that year, or \$200,000, whichever is more, in any of the most recent three fiscal years;

(e) a director who is, or has an immediate family member who is, employed as an executive officer of another entity where at any time during the most recent three fiscal years any of the issuer's executive officers serve on the compensation committee of such other entity; or

(f) a director who is, or has an immediate family member who is, a current partner of the company's outside auditor, or was a partner or employee of the company's outside auditor who worked on the company's audit at any time during any of the past three years.

(3) In the case of an investment company, in lieu of Rule 26803A(2) (a) through (f), a director who is an "interested person" of the investment company as defined in Section 2(a)(19) of the Investment Company Act of 1940, other than in his or her capacity as a member of the board of directors or any board committee.

B. Audit Committee:

(1) Charter

Each issuer must certify that it has adopted a formal written audit committee charter and that the audit committee has reviewed and reassessed the adequacy of the formal written charter on an annual basis. The charter must specify the following:

- (a) the scope of the audit committee's responsibilities, and how it carries out those responsibilities, including structure, processes, and membership requirements;
- (b) the audit committee's responsibility for ensuring its receipt from the outside auditors of a formal written statement delineating all relationships between the auditor and the issuer, consistent with The Public Company Accounting Oversight Board Rule 3526, and the audit committee's responsibility for actively engaging in a dialogue with the auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor and for taking, or recommending that the full board take, appropriate action to oversee the independence of the outside auditor;
- (c) the audit committee's purpose of overseeing the accounting and financial reporting processes of the issuer and the audits of the financial statements of the issuer; and
- (d) the specific audit committee responsibilities and authority set forth in Rule 26803B(4).

(2) Composition

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- (a) Each issuer must have, and certify that it has and will continue to have, an audit committee of at least three members, each of whom:
- (i) satisfies the independence standards specified in Rule 26803A and Rule 10A-3 under the Securities Exchange Act of 1934;
 - (ii) must not have participated in the preparation of the financial statements of the issuer or any current subsidiary of the issuer at any time during the past three years; and
 - (iii) is able to read and understand fundamental financial statements, including a company's balance sheet, income statement, and cash flow statement. Additionally, each issuer must certify that it has, and will continue to have, at least one member of the audit committee who is financially sophisticated, in that he or she has past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including but not limited to being or having been a chief executive officer, chief financial officer, other senior officer with financial oversight responsibilities. A director who qualifies as an audit committee financial expert under Item 407(d)(5)(ii) and (iii) of Regulation S-K or Item 3 of Form N-CSR (in the case of a registered management investment company) is presumed to qualify as financially sophisticated.
- (b) Notwithstanding Rule 26803B(2)(a), one director who is not independent as defined in Rule 26803A, but who satisfies the requirements of Rule 10A-3 under the Securities Exchange Act of 1934 (see Rule 26803B(2)(a)(i)), and is not a current officer or employee or an immediate family member of such officer or employee, may be appointed to the audit committee, if the board, under exceptional and limited circumstances, determines that membership on the committee by the individual is required by the best interests of the issuer and its shareholders, and the board discloses, in the next annual meeting proxy statement (or in its next annual report on SEC Form 10-K or equivalent if the issuer does not file an annual proxy statement) subsequent to such determination, the nature of the relationship and the reasons for that determination. A director appointed to the audit committee pursuant to this exception may not serve for in excess of two consecutive years and may not chair the audit committee.
- (c) Smaller Reporting Companies – Issuers that satisfy the definition of Smaller Reporting Company in Regulation S-K, Item 10(f)(1) are only required to maintain an audit committee of at least two members, comprised solely of independent directors who also meet the requirements of Rule 10A-3 under the Securities Exchange Act of 1934.
- (3) Meeting Requirements – The audit committee of each issuer must meet on at least a quarterly basis, except that with respect to registered closed-end management investment companies, the audit committee must meet on a regular basis as often as necessary to fulfill its responsibilities, including at least annually in connection with issuance of the investment company's audited financial statements.

EXHIBIT 5A

- (4) **Audit Committee Responsibilities and Authority** – The audit committee of each issuer must have the specific audit committee responsibilities, authority and procedures necessary to comply with Rule 10A-3(b)(2), (3), (4) and (5) under the Securities Exchange Act of 1934 (subject to the exemptions provided in Rule 10A-3(c) under the Securities Exchange Act of 1934), concerning responsibilities relating to: (a) registered public accounting firms, (b) complaints relating to accounting, internal accounting controls or auditing matters, (c) authority to engage advisors, and (d) funding as determined by the audit committee. Audit committees for investment companies must also establish procedures for the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters by employees of the investment adviser, administrator, principal underwriter, or any other provider of accounting related services for the investment company, as well as employees of the investment company.
- (5) **Exception** – At any time when an issuer has a class of common equity securities (or similar securities which may include Securities) that is listed on another national securities exchange or national securities association subject to the requirements of SEC Rule 10A-3 under the Securities Exchange Act of 1934, the listing of classes of Securities of a direct or indirect consolidated subsidiary or an at least 50% beneficially owned subsidiary of the issuer (except classes of equity Securities, other than non-convertible, non-participating preferred Securities, of such subsidiary) shall not be subject to the requirements of this Rule 26803B.
- (6) **Cure Period**
- (a) If an issuer fails to comply with the audit committee composition requirements because a member of the issuer’s audit committee ceases to be independent in accordance with Rule 26803A and/or the requirements of Rule 10A-3 under the Securities Exchange Act of 1934 for reasons outside the member’s reasonable control, that person, with prompt notice to the Exchange, may remain an audit committee member of the issuer until the earlier of the next annual shareholders’ meeting of the issuer or one year from the occurrence of the event that caused the member to be no longer independent.
- (b) If an issuer fails to comply with the audit committee composition requirements because a vacancy arises on the audit committee, and the cure period in paragraph (a) is not otherwise being relied upon for another member, the issuer will have until the earlier of the next annual shareholders’ meeting or one year from the occurrence of the event that caused the failure to comply with this requirement; provided, however, that if the annual shareholders’ meeting occurs no later than 180 days following the event that caused the failure to comply with the audit committee composition requirement, the listed issuer (other than a Smaller Reporting Company) shall instead have 180 days from such event to regain compliance and for a Smaller Reporting Company if the annual shareholders’ meeting occurs no later than 75 days following the event that caused the failure to comply with the audit composition requirement a Smaller Reporting Company shall instead have 75 days from such event to regain compliance.

EXHIBIT 5A**IM-26803-1**

“Immediate family member” includes a person’s spouse, parents, children, siblings, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law, and anyone who resides in such person’s home (other than domestic employees).

IM-26803-2

“Company” includes any parent or subsidiary of the issuer listed on BSTX. “Parent” or “subsidiary” includes entities that are consolidated with the issuer’s financial statements as filed with the SEC (but not if the issuer reflects such entity solely as an investment in its financial statements).

IM-26803-3

“Officer” shall have the meaning specified in Rule 16a-1(f) under the Securities Exchange Act of 1934, or any successor rule.

IM-26803-4

“Executive Officer” shall have the meaning specified in Rule 3b-7 under the Securities Exchange Act of 1934, or any successor rule.

IM-26803-5

Reserved

IM-26803-6

In order to affirmatively determine that an independent director does not have a material relationship with the issuer that would interfere with the exercise of independent judgment, as specified in Rule 26803A, the board of directors of each issuer must obtain from each such director full disclosure of all relationships which could be material in this regard.

IM-26803-7

The three year look-back periods referenced in Rules 26803A(2)(a), (c), (e), and (f) commence on the date the relationship ceases. For example, a director employed by the company is not independent until three years after such employment terminates.

IM-20803-8

For purposes of Rule 26803A(2)(a), employment by a director as an executive officer on an interim basis shall not disqualify that director from being considered independent following such

EXHIBIT 5A

employment, provided the interim employment did not last longer than one year. A director would not be considered independent while serving as an interim officer. Similarly, for purposes of Rule 26803A(2)(b), compensation received by a director for former service as an interim executive officer need not be considered as compensation in determining independence after such service, provided such interim employment did not last longer than one year. Nonetheless, the issuer's board of directors still must consider whether such former employment and any compensation received would interfere with the director's exercise of independent judgment in carrying out the responsibilities of a director. In addition, if the director participated in the preparation of the company's financial statements while serving as an interim executive officer, Rule 26803B(2)(a)(ii) would preclude service on the issuer's audit committee for three years.

IM-20803-9

Rule 26803A(2)(b) is generally intended to capture situations where compensation is made directly to (or for the benefit of) the director or an immediate family member of the director. For example, consulting or personal service contracts with a director or an immediate family member of the director would be analyzed under Rule 26803A(2)(b). In addition, political contributions to the campaign of a director or an immediate family member of the director would be considered indirect compensation under Rule 26803A(2)(b). Non-preferential payments made in the ordinary course of providing business services (such as payments of interest or proceeds related to banking services or loans by an issuer that is a financial institution or payment of claims on a policy by an issuer that is an insurance company), payments arising solely from investments in the company's securities and loans permitted under Section 13(k) of the Securities Exchange Act of 1934 will not preclude a finding of director independence as long as the payments are non-compensatory in nature. Depending on the circumstances, a loan or payment could be compensatory if, for example, it is not on terms generally available to the public.

26804. Board Nominations

- (a) Board of Director nominations must be either selected, or recommended for the Board's selection, by either a Nominating Committee comprised solely of independent directors or by a majority of the independent directors.
- (b) Notwithstanding paragraph (a) above, if the Nominating Committee is comprised of at least three members, one director who is not independent as defined in Rule 26803A, and is not a current officer or employee or an immediate family member of such person, may be appointed to the Nominating Committee, if the board, under exceptional and limited circumstances, determines that membership on the committee by the individual is required by the best interests of the company and its shareholders, and the board discloses, in the next annual meeting proxy statement (or in its next annual report on SEC Form 10-K or equivalent if the issuer does not file an annual proxy statement) subsequent to such determination, the nature of the relationship and the reasons for that determination. A director appointed to the Nominating Committee pursuant to this exception may not serve for in excess of two years.

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- (c) Each listed company must adopt a formal written charter or board resolution, as applicable, addressing the nominations process and such related matters as may be required under the federal securities laws.

IM-26804-1

Rule 26804 is not applicable to a controlled company (See Rule 26801(a)).

IM-26804-2

If a company is legally required by contract or otherwise to provide third parties with the ability to nominate and/or appoint directors (e.g., preferred Security or stock rights to elect directors upon dividend default, shareholder agreements, management agreements), the selection and nomination of such directors is not subject to approval by the Nominating Committee or a majority of independent directors.

26805. Executive Compensation

- (a) Compensation of the chief executive officer of a listed company must be determined, or recommended to the Board for determination, either by a Compensation Committee comprised of independent directors or by a majority of the independent directors on its Board of Directors (as used in this Rule 26805, the term “Compensation Committee” shall, in relation to any listed company that does not have a Compensation Committee, refer to the listed company’s independent directors as a group). The chief executive officer may not be present during voting or deliberations. Compensation for all other officers must be determined, or recommended to the Board for determination, either by such Compensation Committee or a majority of the independent directors on the company’s Board of Directors.
- (b) Notwithstanding paragraph (a) above, if the Compensation Committee of a Smaller Reporting Company is comprised of at least three members, one director who is not independent as defined in Rule 26803A, and is not a current officer or employee or an immediate family member of such person, may be appointed to the Compensation Committee, if the board, under exceptional and limited circumstances, determines that membership on the committee by the individual is required by the best interests of the company and its shareholders, and the board discloses, in the next annual meeting proxy statement (or in its next annual report on SEC Form 10-K or equivalent if the issuer does not file an annual proxy statement) subsequent to such determination, the nature of the relationship and the reasons for that determination. A director appointed to the Compensation Committee pursuant to this exception may not serve for in excess of two years.
- (c)
- (l) Independence Requirements. In addition to the director independence requirements of Rule 26803A, the board must affirmatively determine that all of the members of the Compensation Committee or, in the case of a company that

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does not have a Compensation Committee, all of the independent directors, are independent under this Rule 26805(c)(1). In affirmatively determining the independence of any director who will serve on the Compensation Committee, the Board must consider all factors specifically relevant to determining whether a director has a relationship to the listed company which is material to that director's ability to be independent from management in connection with the duties of a Compensation Committee member, including, but not limited to: (A) the source of compensation of such director, including any consulting, advisory or other compensatory fee paid by the listed company to such director; and (B) whether such director is affiliated with the listed company, a subsidiary of the listed company or an affiliate of a subsidiary of the listed company.

- (2) Cure Period. If a listed company fails to comply with the Compensation Committee composition requirements of either paragraph (a) above or (if applicable) this Rule 26805(c) because a member of the Compensation Committee ceases to be independent in accordance with Rule 26803A or (if applicable) this Rule 26805(c) for reasons outside the member's reasonable control, that person, with prompt notice to the Exchange and only so long as a majority of the members of the Compensation Committee continue to be independent in accordance with the applicable Exchange independence standards, may remain a member of the Compensation Committee until the earlier of the next annual shareholders' meeting of the listed company or one year from the occurrence of the event that caused the member to be no longer independent.
- (3) Compensation Consultants
 - i. The Compensation Committee may, in its sole discretion, retain or obtain the advice of a compensation consultant, independent legal counsel or other adviser.
 - ii. The Compensation Committee shall be directly responsible for the appointment, compensation and oversight of the work of any compensation consultant, independent legal counsel or other adviser retained by the Compensation Committee.
 - iii. The listed company must provide for appropriate funding, as determined by the Compensation Committee, for payment of reasonable compensation to a compensation consultant, independent legal counsel or any other adviser retained by the Compensation Committee.
- (4) Compensation Consultant Independence. The Compensation Committee may select a compensation consultant, legal counsel or other adviser to the Compensation Committee only after taking into consideration all relevant factors, including the following:
 - i. The provision of other services to the listed company by the person that employs the compensation consultant, legal counsel or other adviser;
 - ii. The amount of fees received from the listed company by the person that

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- employs the compensation consultant, legal counsel or other adviser, as a percentage of the total revenue of the person that employs the compensation consultant, legal counsel or other adviser;
- iii. The policies and procedures of the person that employs the compensation consultant, legal counsel or other adviser that are designed to prevent conflicts of interest;
 - iv. Any business or personal relationship of the compensation consultant, legal counsel or other adviser with a member of the compensation committee;
 - v. Any stock or Security of the listed company owned by the compensation consultant, legal counsel or other adviser; and
 - vi. Any business or personal relationship of the compensation consultant, legal counsel, other adviser or the person employing the adviser with an executive officer of the listed company.
- (5) **Transition Period for Companies Losing Their Smaller Reporting Company Status.** Under Exchange Act Rule 12b-2, a company tests its status as a smaller reporting company on an annual basis at the end of its most recently completed second fiscal quarter (hereinafter, for purposes of this subsection, the “Smaller Reporting Company Determination Date”). A smaller reporting company which ceases to meet the requirements for smaller reporting company status as of the last business day of its second fiscal quarter will cease to be a smaller reporting company as of the beginning of the fiscal year following the Smaller Reporting Company Determination Date. The compensation committee of a company that has ceased to be a smaller reporting company shall be required to comply with Rule 26805(c)(4) as of six months from the date it ceases to be a smaller reporting company and must have:
- i. one member of its compensation committee that meets the independence standard of Rule 26805(c)(1) within six months of that date;
 - ii. a majority of directors on its compensation committee meeting those requirements within nine months of that date; and
 - iii. a compensation committee comprised solely of members that meet those requirements within twelve months of that date.

Any such company that does not have a compensation committee must comply with this transition requirement with respect to all of its independent directors as a group.

IM-26805-1

Rule 26805 is not applicable to a controlled company (See Rule 26801(a)). Rules 26805(c)(1) and (c)(4) are not applicable to a smaller reporting company.

EXHIBIT 5A**IM-26805-2**

The Compensation Committee or a majority of the independent directors is not precluded from approving awards (either with or without board ratification) or from seeking board ratification or approval as may be required to comply with applicable tax or state corporate laws.

IM-26805-3

When considering the sources of a director's compensation in determining his independence for purposes of compensation committee service, the board should consider whether the director receives compensation from any person or entity that would impair his ability to make independent judgments about the listed company's executive compensation. Similarly, when considering any affiliate relationship a director has with the company, a subsidiary of the company, or an affiliate of a subsidiary of the company, in determining his independence for purposes of compensation committee service, the proposed commentary provides that the board should consider whether the affiliate relationship places the director under the direct or indirect control of the listed company or its senior management, or creates a direct relationship between the director and members of senior management, in each case of a nature that would impair his ability to make independent judgments about the listed company's executive compensation.

IM-26805-4

Nothing in Rule 26805(c) shall be construed: (A) to require the Compensation Committee to implement or act consistently with the advice or recommendations of the compensation consultant, independent legal counsel or other adviser to the Compensation Committee; or (B) to affect the ability or obligation of the Compensation Committee to exercise its own judgment in fulfillment of the duties of the Compensation Committee.

IM-26805-5

The Compensation Committee is required to conduct the independence assessment outlined in Rule 26805(c)(4) with respect to any compensation consultant, legal counsel or other adviser that provides advice to the Compensation Committee, other than: (i) inhouse legal counsel; and (ii) any compensation consultant, legal counsel or other adviser whose role is limited to the following activities for which no disclosure would be required under Item 407(e)(3)(iii) of Regulation S-K: consulting on any broad-based plan that does not discriminate in scope, terms, or operation, in favor of executive officers or directors of the listed company, and that is available generally to all salaried employees; or providing information that either is not customized for a particular company or that is customized based on parameters that are not developed by the compensation consultant, and about which the compensation consultant does not provide advice.

IM-26805-6

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Nothing in Rule 26805 requires a compensation consultant, legal counsel or other compensation adviser to be independent, only that the Compensation Committee consider the enumerated independence factors before selecting or receiving advice from a compensation adviser. The Compensation Committee may select or receive advice from any compensation adviser they prefer including ones that are not independent, after considering the six independence factors outlined in Rule 26805(c)(4)(i)—(vi).

26806. Reserved**26807. Code of Conduct and Ethics**

Each company shall adopt a code of conduct and ethics, applicable to all directors, officers and employees, which also complies with the definition of a “code of ethics” as set forth in Item 406 of SEC Regulation S-K. The code of conduct and ethics must be publicly available.

IM-26807-1

While each company should determine the appropriate standards and guidelines for inclusion in its code of conduct and ethics, all codes of conduct and ethics must promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; full, fair, accurate, timely and understandable disclosure in periodic reports and documents required to be filed by the company; compliance with applicable Exchange and governmental rules and regulations; prompt internal reporting of violations of the code of conduct and ethics to an appropriate person or persons identified in the code of conduct and ethics; and accountability for adherence to the code of conduct and ethics. A company may adopt one or more codes of conduct and ethics such that all directors, officers and employees are subject to a code of conduct and ethics that satisfies the definition of a “code of ethics.” Any waivers of the code of conduct and ethics for directors or executive officers must be approved by the company’s board of directors and disclosed in an SEC Form 8-K within four business days after the occurrence of the event. If the event occurs on a Saturday, Sunday or holiday on which the Commission is not open for business, then the four business day period shall begin to run on, and include, the first business day thereafter.

26808. Reserved**26809. Effective Dates/Transition**

- (a) Companies that have listed or will be listed in conjunction with their initial public offering shall be afforded exemptions from all board composition requirements consistent with the exemptions afforded in Rule 10A-3 under the Securities Exchange Act of 1934. That is, for each applicable committee that the company establishes (i.e., nominating and/or compensation) the company shall have one independent member at the time of listing, a majority of independent members within 90 days of listing and all independent members within one year. Such companies will be required to meet the majority independent board requirement (or 50% independent in the case of a Smaller Reporting Company) within one year of listing. It should be noted however, that investment companies are not afforded these exemptions under Rule 10A-3 under the Securities

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Exchange Act of 1934. Companies emerging from bankruptcy or which have ceased to be controlled companies will be required to meet the majority independent board requirement (or 50% independent in the case of a Smaller Reporting Company) within one year. Companies may choose not to establish a compensation or nomination committee and may rely instead upon a majority of independent directors to discharge responsibilities under the Rule 26800 Series.

- (b) Companies transferring from other markets with a substantially similar requirement shall be afforded the balance of any grace period afforded by the other market. Companies transferring from other markets that do not have a substantially similar requirement shall be afforded one year from the date of listing, to the extent not inconsistent with Rule 10A-3 under the Securities Exchange Act of 1934.

26810. Written Affirmations

- (a) Each listed company CEO must certify to the Exchange each year that he or she is not aware of any violation by the listed company of Exchange corporate governance listing standards, qualifying the certification to the extent necessary. A blank copy of the CEO certification form required by this Rule 26810(a) will be included in the BSTX Listing Supplement.

Commentary: The CEO's annual certification regarding the Exchange's corporate governance listing standards will focus the CEO and senior management on the listed company's compliance with the listing standards.

- (b) Each listed company CEO must promptly notify the Exchange in writing after any executive officer of the listed company becomes aware of any non-compliance with any applicable provisions of this Rule 26800 Series.
- (c) Each listed company must submit an executed written affirmation of compliance with Rule 26800 Series of the BSTX Listing Standards annually to the Exchange. In addition, each listed company must promptly submit an interim written affirmation after becoming aware of any noncompliance with Rule 26800 Series of the BSTX Listing Standards or in the event of any change in the composition of its board of directors or the audit, compensation or nominating committees thereof. If the interim written affirmation relates to noncompliance with Rule 26800 Series of the BSTX Listing Standards and is being submitted to the Exchange to satisfy the notice requirement of Rule 26810(b), it must be signed by the company's CEO. Blank copies of the affirmation forms mentioned in this Rule 26810(c) will be included in the BSTX Listing Supplement.

26900 – Additional Matters**26901 – 26919. Reserved****26920. General Changes in Character of Business or Form or Nature of Securities**

- (a) Change in form or nature of Securities—A company is required to notify the Exchange,

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at least 20 days in advance, of any change in the form or nature of any listed Security or in the rights, benefits and privileges of the holders of such Security.

- (b) Change in general character of business—A company is required to notify the Exchange promptly (and confirm in writing) of any change in the general character or nature of its business. Obviously, such a change, if not previously made known to the public, would be a material development and a prompt public release would be required under the Exchange’s timely disclosure policies (see Rules 26401-26405).

26921. Changes in Officers or Directors

A listed company is required to notify the Exchange promptly (and confirm in writing) of any changes of officers or directors.

26922. Disposition of Property or Stock

A listed company is required to notify the Exchange promptly in the event that it, or any company controlled by it, disposes of any property or any equity interest in any of its subsidiary or controlled companies, if such disposal will materially affect the financial position of the company or the nature or extent of its operations. As in the case of changes in character or nature of business, a material disposition would normally call for prompt public disclosure under the Exchange’s timely disclosure policy. Where such disclosure has been made, the filing of three copies of the release containing the disclosure and the subsequent filing of Form 8-K, if required, will suffice to comply with Item 1b.

26923. Change in Collateral

A company is required to notify the Exchange promptly of any changes in, or removal of, collateral deposited under any mortgage or trust indenture under which Securities of the company listed on the Exchange have been issued. This notice, if of material significance to investors, should also be reported through a public release under the Exchange’s timely disclosure policy. If a change in collateral is not of sufficient materiality to call for a press release, such change should nevertheless be reported to the Exchange by letter which will be placed in a public file.

26924. Deposit of Securities

A company is required to notify the Exchange promptly of any diminution in the supply of Securities available for public trading occasioned by deposit of Securities under voting trust or other deposit agreements. If knowledge of any actual or proposed deposits should come to the attention of any officer or director of the company, the Exchange should be notified immediately.

26925 – 26929. Reserved**26930. Change of Name**

A company proposing to change its name should:

- (a) Notify the Exchange of the record date and date of its shareholders’ meeting at which the

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change in name will be considered, as soon as such dates have been established.

- (b) Furnish the Exchange with one copy of the meeting notice and five copies of the proxy-solicitation material at the time they are mailed to shareholders.
- (c) As soon as the change in name has been approved by shareholders, notify the Exchange of the time when the amendment to the charter will be filed and the change in name will become effective. Confirm this advice by letter.
- (d) Reserved
- (e) Notify the Exchange as soon as the amendment has actually been filed and confirm this advice by letter.

26931. Announcement of New Name

When the change in name becomes effective, the Exchange will notify its Participants of the new name and will advise them that, either on the date of its announcement or on the day after, transactions in the Securities of the company will be recorded under its new name. If a substantial change in name is involved, a new ticker symbol may be designated for the company's Securities.

26931 – 26939. Reserved**26940. Change in Par Value**

A company that changes the par value of a Security issue listed on the Exchange, without an increase or decrease in the number of Securities listed, is required to follow the procedures and file the papers specified below:

NOTE: If the change in par value affects the number of Securities listed, an additional listing application is necessary.

- (a) File two preliminary copies of proxy soliciting material to be issued to shareholders in connection with the meeting to consider the charter amendment.
- (b) Furnish the Exchange with: (i) ten days' notice in advance of the taking of the record of shareholders entitled to notice of and to vote at the meeting; and (ii) six copies of all final printed notices, circulars or proxy statements issued to shareholders in connection with the meeting, at the time they are mailed to shareholders.
- (c) When the change in par value becomes effective by the filing of the charter amendment with the Secretary of State, it is important that the Exchange substitute the new par value shares for the previously listed shares without any interruption of trading. This is accomplished by notifying the Exchange: (i) in advance of the date when it is proposed to file the charter amendment, and (ii) immediately upon its filing.

26941 –26959. Reserved

EXHIBIT 5A**26960. Special Margin Requirements**

The Exchange may, from time to time, prescribe higher initial margin requirements in respect of particular Securities dealt in on the Exchange than the margin requirements generally in effect. Such higher margin requirements are imposed whenever in the opinion of the Exchange a particular Security is subject to possible excessive speculative interest. Such requirements do not constitute a rating or evaluation by the Exchange of the merits of the Security subject hereto.

Securities placed on special margin are reviewed weekly, and are removed from special margin requirements whenever it appears that possibly excessive speculative interest no longer exists.

26961 – 26969. Reserved**26970. Reverse Split Policy – Exchange Recommendation**

The Exchange may recommend to the management of a company, whose Security sells at a low price per Security for a substantial period of time, that it submit to its shareholders a proposal providing for a combination (“reverse split”) of such Securities.

26971-26989. Reserved**26990. Application of Requirements**

As indicated in Rule 26301, a company applying to list additional Securities on BSTX is required to execute, if it has not already done so, the Exchange’s most recent form of agreement with listed companies.

26991. Interpretation of Requirements

The Board of Directors of the Exchange is authorized by the Exchange Rules to make and amend rules, requirements and policies governing listed companies. The Board is also authorized to delegate the administration of such requirements to the president or other officers or employees of the Exchange or to such committees as the Board may authorize.

26992. Opinions

The Exchange will, in appropriate cases, render opinions concerning interpretations of the requirements set forth in the BSTX Listing Requirements to companies on request. Such opinions are carefully considered by the Exchange, and normally require at least two weeks to process. Letters requesting such opinions should fully set forth the facts and circumstances leading to the request.

26993. Review

If a company disagrees with an opinion rendered by the staff, the Exchange may, where the opinion covers a novel or unusual question, or relates to a matter not specifically covered in the BSTX Listing Requirements or the rules, regulations and policies of the Exchange, arrange for the question to be reviewed by a committee of Exchange Officials. It normally takes

EXHIBIT 5A

approximately three weeks to process such a review. With the Exchange's consent, representatives of the company may appear at a meeting of the committee reviewing the matter.

26994. New Policies

Copies of new or revised rules, policies, or forms, adopted subsequent to the date of the adoption of the BSTX Listing Rules, will be distributed, following their adoption. Questions should be directed to the Exchange and further information is available on the Exchange's website.

27000 – SUSPENSION AND DELISTING**27001. General**

In considering whether a Security warrants continued trading and/or listing on BSTX, many factors are taken into account, such as the degree of investor interest in the company, its prospects for growth, the reputation of its management, the degree of commercial acceptance of its products, and whether its securities have suitable characteristics for trading on BSTX. Thus, any developments which substantially reduce the size of a company, the nature and scope of its operations, the value or amount of its securities available for the market, or the number of holders of its securities, may occasion a review of continued listing by the Exchange. Moreover, events such as the sale, destruction, loss or abandonment of a substantial portion of its business, the inability to continue its business, steps towards liquidation, or repurchase or redemption of its securities, may also give rise to such a review.

27002. Policies with Respect to Continued Listing

The Rules of the Exchange provides that the Board of Directors may, in its discretion, at any time, and without notice, suspend dealings in, or may remove any Security from, listing or unlisted trading privileges.

The Exchange, as a matter of policy, will consider the suspension of trading in, or removal from listing or unlisted trading of, any Security when, in the opinion of the Exchange:

- (a) the financial condition and/or operating results of the issuer appear to be unsatisfactory;
or
- (b) it appears that the extent of public distribution or the aggregate market value of the Security has become so reduced as to make further dealings on BSTX inadvisable; or
- (c) the issuer has sold or otherwise disposed of its principal operating assets, or has ceased to be an operating company; or
- (d) the issuer has failed to comply with its listing agreements with the Exchange; or
- (e) any other event shall occur or any condition shall exist which makes further dealings on BSTX unwarranted. (See Rule 26127)

EXHIBIT 5A**27003. Application of Policies**

The Exchange has adopted certain standards, outlined below, under which it will normally give consideration to suspending dealings in, or removing, a Security from listing or unlisted trading. When an issuer falls below any of the continued listing standards, the Exchange will review the appropriateness of continued listing. The Exchange may give consideration to any action that an issuer proposes to take that would enable it to comply with the continued listing standards. The specific procedures and timelines regarding such proposals are set forth in Rule 27009. However, the standards set forth below in no way limit or restrict the Exchange in applying its policies regarding continued listing, and the Exchange may at any time, in view of the circumstances in each case, suspend dealings in, or remove, a Security from listing or unlisted trading when in its opinion such Security is unsuitable for continued trading on BSTX. Such action will be taken regardless of whether the issuer meets or fails to meet any or all of the standards discussed below.

(a) Financial Condition and/or Operating Results—The Exchange will normally consider suspending dealings in, or removing from the list, Securities of an issuer which:

- (i) has Security holders' equity of less than \$2,000,000 if such issuer has sustained losses from continuing operations and/or net losses in two of its three most recent fiscal years; or
- (ii) has Security holders' equity of less than \$4,000,000 if such issuer has sustained losses from continuing operations and/or net losses in three of its four most recent fiscal years; or
- (iii) has Security holders' equity of less than \$6,000,000 if such issuer has sustained losses from continuing operations and/or net losses in its five most recent fiscal years; or
- (iv) has sustained losses which are so substantial in relation to its overall operations or its existing financial resources, or its financial condition has become so impaired that it appears questionable, in the opinion of the Exchange, as to whether such issuer will be able to continue operations and/or meet its obligations as they mature.

However, the Exchange will not normally consider suspending dealings in, or removing from the list, the Securities of an issuer which is below any of standards (i) through (iii) above if the issuer is in compliance with the following:

- (1) Total value of market capitalization * of at least \$50,000,000; or total assets and revenue of \$50,000,000 each in its last fiscal year, or in two of its last three fiscal years; and
- (2) The issuer has at least 1,100,000 Securities publicly held, a market value of publicly held Securities of at least \$15,000,000 and 400 round lot Security holders.

Issuers falling below one of the above standards and considering a combination with an unlisted company should see Rule 26341 for the discussion of the Exchange's listing policies contained therein.

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(b) Limited Distribution—Reduced Market Value—The Exchange will normally consider suspending dealings in, or removing from the list, a Security when any one or more of the following conditions exist:

(i) Equity Security:

(A) if the number of Securities publicly held (exclusive of holdings of officers, directors, controlling shareholders or other family or concentrated holdings) is less than 200,000; or

(B) if the total number of public Security holders is less than 300; or

(C) if the aggregate market value of the Securities publicly held is less than \$1,000,000 for more than 90 consecutive days.

(ii) Security Warrants:

(A) if the number of Security warrants publicly held is less than 50,000;

(iii) Preferred Securities:

(A) if the number of Securities publicly held is less than 50,000; or

(B) if the aggregate market value of Securities publicly held is less than \$1,000,000;

(iv) Reserved

(v) Closed-End Funds:

(A) If the total market value of publicly held Securities and net assets are each less than \$5,000,000 for more than 60 consecutive days; or

(B) It ceases to qualify as a closed-end fund under the Investment Company Act of 1940 (unless the resultant entity otherwise qualifies for listing).

(c) Disposal of Assets—Reduction of Operations—The Exchange will normally consider suspending dealings in, or removing from the list, Securities of an issuer whenever any of the following events shall occur:

(i) If the issuer has sold or otherwise disposed of its principal operating assets or has ceased to be an operating company or has discontinued a substantial portion of its operations or business for any reason whatsoever, including, without limitation, such events as sale, lease, spin-off, distribution, foreclosure, discontinuance, abandonment, destruction, condemnation, seizure or expropriation. Where the issuer has substantially discontinued the business that it conducted at the time it was listed or admitted to trading, and has become

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engaged in ventures or promotions which have not developed to a commercial stage or the success of which is problematical, it shall not be considered an operating company for the purposes of continued trading and listing on BSTX.

- (ii) If liquidation of the issuer has been authorized. However, where such liquidation has been authorized by shareholders and the issuer is committed to proceed, the Exchange will normally continue trading until substantial liquidating distributions have been made.
- (iii) If advice has been received, deemed by the Exchange to be authoritative, that the Security is without value. In this connection, it should be noted that the Exchange does not pass judgment upon the value of any Security.

(d) Failure to Comply with Listing Agreements and/or SEC Requirements—The Securities of an issuer failing to comply with its listing or other agreements with the Exchange and/or SEC Requirements in any material respect (e.g., failure to distribute annual reports when due, failure to report interim earnings, failure to observe Exchange policies regarding timely disclosure of important corporate developments, failure to solicit proxies, issuance of additional Securities of a listed class without prior listing thereof, failure to obtain shareholder approval of corporate action where required by Exchange policies, failure to provide requested information within a reasonable period of time or providing information that contains a material misrepresentation or omits material information necessary to make the communication to the Exchange not misleading, etc.) are subject to suspension from dealings and, unless prompt corrective action is taken, removal from listing.

(e) Reserved

(f) Other Events—The Exchange will normally consider suspending dealings in, or removing from the list, a Security when any one of the following events shall occur:

- (i) Registration No Longer Effective—If the registration (or exemption from registration thereof) pursuant to the Securities Exchange Act of 1934 is no longer effective.
- (ii) Payment, Redemption or Retirement of Entire Class, Issue or Series—If the entire outstanding amount of a class, issue or series of Securities is retired through payment at maturity or through redemption, reclassification or otherwise. In such event, the Exchange may, at a time which is appropriate under all the circumstances of the particular case, suspend dealings in the Security and, in the case of a listed Security, give notice to the SEC, on Form 25, of the Exchange's intention to remove such Security from listing and registration as required by Rule 12d2-2(a) under the Securities Exchange Act of 1934.
- (iii) Operations Contrary to Public Interest—If the issuer or its management shall engage in operations which, in the opinion of the Exchange, are contrary to the public interest.
- (iv) Failure to Pay Listing Fees—If the issuer shall fail or refuse to pay, when due, any applicable listing fees established by the Exchange.

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(v) **Low Selling Price Issues**—In the case of an equity Security for a substantial period of time at a low price per Security, if the issuer shall fail to effect a reverse split of such Securities within a reasonable time after being notified that the Exchange deems such action to be appropriate under all the circumstances. In its review of the question of whether it deems a reverse split of a given issue to be appropriate, the Exchange will consider all pertinent factors including, market conditions in general, the number of Securities outstanding, plans which may have been formulated by management, applicable regulations of the state or country of incorporation or of any governmental agency having jurisdiction over the issuer, the relationship to other Exchange policies regarding continued listing, and, in respect of securities of foreign issuers, the general practice in the country of origin of trading in low-selling price issues.

(g) Reserved

* Market capitalization for purposes of Rule 27003 includes the total Equity Security outstanding (excluding treasury Securities) as well as any Equity Securities that would be issued upon conversion of another outstanding Security, if such other Security is a “substantial equivalent” of Equity Securities. Generally, the Security must be (1) publicly traded or quoted, or (2) convertible into a publicly traded or quoted Security. A convertible Security will be considered the “substantial equivalent” of Equity Securities if the convertible Security is presently convertible, and the conversion price is equal to or less than the current market price of the Equity Security. For partnerships, the current capital structure will be analyzed to determine whether it is appropriate to include other publicly traded or quoted Securities in the calculation.

27004. Prospective Application of Delisting Policies

The Exchange’s delisting policies will be applied prospectively to companies which originally qualified for listing pursuant to Rule 26101(b).

27005 - 27006. Reserved**27007. SEC Annual and Quarterly Report Timely Filing Criteria***Occurrence of a Filing Delinquency*

For purposes of remaining listed on BSTX, a company will incur a late filing delinquency and be subject to the procedures set forth in this Rule 27007 on the date on which any of the following occurs:

- the company fails to file its annual report (Forms 10-K, 20-F, 40-F or N-CSR) or its quarterly report on Form 10-Q or semi-annual report on Form N-CSR (“Semi- Annual Form N-CSR”) with the SEC by the date such report was required to be filed by the applicable form, or if a Form 12b-25 was timely filed with the SEC, the extended filing due date for the annual report, Form 10-Q, or Semi-Annual Form NCSR for purposes of this Rule 21007, the later of these two dates, along with any Semi-Annual Report Filing Due Date as

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defined below, will be referred to as the “Filing Due Date” and the failure to file a report by the applicable Filing Due Date, a “Late Filing Delinquency”);

- the company files its annual report without a financial statement audit report from its independent auditor for any or all of the periods included in such annual report (a “Required Audit Report” and the absence of a Required Audit Report, a “Required Audit Report Delinquency”);
- the company’s independent auditor withdraws a Required Audit Report or the company files a Form 8-K with the SEC pursuant to Item 4.02(b) thereof disclosing that it has been notified by its independent auditor that a Required Audit Report or completed interim review should no longer be relied upon (a “Required Audit Report Withdrawal Delinquency”); or
- the company files a Form 8-K with the SEC pursuant to Item 4.02(a) thereof to disclose that previously issued financial statements should no longer be relied upon because of an error in such financial statements (a “Non-Reliance Disclosure”) and, in either case, the company does not refile all required corrected financial statements within 60 days of the issuance of the Non-Reliance Disclosure (an “Extended Non-Reliance Disclosure Event” and, together with a Late Filing Delinquency, a Required Audit Report Delinquency and a Required Audit Report Withdrawal Delinquency, a “Filing Delinquency”) (for purposes of the cure periods described below, an Extended Non-Reliance Disclosure Event will be deemed to have occurred on the date of original issuance of the Non- Reliance Disclosure); if the Exchange believes that a company is unlikely to refile all required corrected financial statements within 60 days after a Non-Reliance Disclosure or that the errors giving rise to such Non-Reliance Disclosure are particularly severe in nature, the Exchange may, in its sole discretion, determine earlier than 60 days that the applicable company has incurred a Filing Delinquency as a result of such Non-Reliance Disclosure.

The Exchange will also deem a company to have incurred a Filing Delinquency if the company submits an annual report, Form 10-Q, or Semi-Annual Form N-CSR to the SEC by the applicable Filing Due Date, but such filing fails to include an element required by the applicable SEC form and the Exchange determines in the Exchange’s sole discretion that such deficiency is material in nature.

The annual report, Form 10-Q, Semi-Annual Form N-CSR or Semi-Annual Report that gives rise to a Filing Delinquency shall be referred to in this Rule 27007 as the “Delinquent Report.”

Subsequent Late Reports

A company that has an uncured Filing Delinquency will not incur an additional Filing Delinquency if it fails to file a subsequent annual report, Form 10-Q, Semi-Annual Form N-CSR or Semi-Annual Report (a “Subsequent Report”) by the applicable Filing Due Date for such Subsequent Report. However, in order for the company to cure its initial Filing Delinquency, no

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Subsequent Report may be delinquent or deficient on the date by which the initial Filing Delinquency is required to be cured.

Notification and Cure Periods

Upon the occurrence of a Filing Delinquency, the Exchange will promptly send written notification (the “Filing Delinquency Notification”) to a company of the procedures set forth below. Within five days of the date of the Filing Delinquency Notification, the company will be required to (a) contact the Exchange to discuss the status of the Delinquent Report and (b) issue a press release disclosing the occurrence of the Filing Delinquency, the reason for the Filing Delinquency and, if known, the anticipated date such Filing Delinquency will be cured via the filing or refiling of the applicable report, as the case may be. If the company has not issued the required press release within five days of the date of the Filing Delinquency Notification, the Exchange will issue a press release stating that the company has incurred a Filing Delinquency and providing a description thereof.

During the six-month period from the date of the Filing Delinquency (the “Initial Cure Period”), the Exchange will monitor the company and the status of the Delinquent Report and any Subsequent Reports, including through contact with the company, until the Filing Delinquency is cured. If the company fails to cure the Filing Delinquency within the Initial Cure Period, the Exchange may, in the Exchange’s sole discretion, allow the company’s Securities to be traded for up to an additional six-month period (the “Additional Cure Period”) depending on the company’s specific circumstances. If the Exchange determines that an Additional Cure Period is not appropriate, suspension and delisting procedures will commence in accordance with the procedures set out in Rule 27010 hereof. A company is not eligible to follow the procedures outlined in Rule 27009 with respect to these criteria. Notwithstanding the foregoing, however, the Exchange may in its sole discretion decide (i) not to afford a company any Initial Cure Period or Additional Cure Period, as the case may be, at all or (ii) at any time during the Initial Cure Period or Additional Cure Period, to truncate the Initial Cure Period or Additional Cure Period, as the case may be, and immediately commence suspension and delisting procedures if the company is subject to delisting pursuant to any other provision of the company Guide, including if the Exchange believes, in the Exchange’s sole discretion, that continued listing and trading of a company’s Securities on the Exchange is inadvisable or unwarranted in accordance with Rules 27001-27004 hereof. The Exchange may also commence suspension and delisting procedures without affording any cure period at all or at any time during the Initial Cure Period or Additional Cure Period if the Exchange believes, in the Exchange’s sole discretion, that it is advisable to do so on the basis of an analysis of all relevant factors, including but not limited to:

- whether there are allegations of financial fraud or other illegality in relation to the company’s financial reporting;
- the resignation or termination by the company of the company’s independent auditor due to a disagreement;

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- any extended delay in appointing a new independent auditor after a prior auditor's resignation or termination;
- the resignation of members of the company's audit committee or other directors;
- the resignation or termination of the company's chief executive officer, chief financial officer or other key senior executives;
- any evidence that it may be impossible for the company to cure its Filing Delinquency within the cure periods otherwise available under this rule; and
- any past history of late filings.

In determining whether an Additional Cure Period after the expiration of the Initial Cure Period is appropriate, the Exchange will consider the likelihood that the Delinquent Report and all Subsequent Reports can be filed or refiled, as applicable, during the Additional Cure Period, as well as the company's general financial status, based on information provided by a variety of sources, including the company, its audit committee, its outside auditors, the staff of the SEC and any other regulatory body. The Exchange strongly encourages companies to provide ongoing disclosure on the status of the Delinquent Report and any Subsequent Reports to the market through press releases, and will also take the frequency and detail of such information into account in determining whether an Additional Cure Period is appropriate. If the Exchange determines that an Additional Cure Period is appropriate and the company fails to file the Delinquent Report and all Subsequent Reports by the end of such Additional Cure Period, suspension and delisting procedures will commence immediately in accordance with the procedures set out in Rule 27010. In no event will the Exchange continue to trade a company's Securities if that company (i) has failed to cure its Filing Delinquency or (ii) is not current with all Subsequent Reports, on the date that is twelve months after the company's initial Filing Delinquency.

27008. Reserved**27009. Continued Listing Evaluation and Follow-up**

(a) The following procedures shall be applied by the Exchange to companies identified as being below the Exchange's continued listing policies and standards. Notwithstanding such procedures, when necessary or appropriate:

- (i) the Exchange may issue a Warning Letter to a company with respect to a minor violation of the Exchange's corporate governance or shareholder protection requirements (other than violations of the requirements pursuant to Rule 10A-3 under the Securities Exchange Act of 1934); or
- (ii) for the protection of investors, the Exchange may immediately suspend trading in any Security, and make application to the SEC to delist the Security and/or the Exchange may truncate the procedures specified in this Rule.

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(b) Once the Exchange identifies, through internal reviews or notice (a press release, news story, company communication, etc.), a company as being below the continued listing criteria set forth in Rules 27001 through 27004 (and not able to otherwise qualify under an initial listing standard), the Exchange will notify the company by letter (a “Deficiency Letter”) of its status within 10 business days. The Deficiency Letter will also provide the company with an opportunity to provide the Exchange with a plan (the “Plan”) advising the Exchange of action the company has taken, or will take, that would bring it into compliance with the continued listing standards within 18 months of receipt of the Deficiency Letter. However, the Exchange may establish a time period of less than 18 months for a company to regain compliance with some or all of the continued listing standards if it determines that the nature and circumstances of the company’s particular continued listing status warrant such shorter period of time (see IM-27009-1). Within four business days after receipt of the Deficiency Letter, the company must contact the Exchange to confirm receipt of the notification, discuss any possible financial data of which the Exchange may be unaware, and indicate whether or not it plans to present a Plan; otherwise, delisting proceedings will commence.

(c) The company has 30 days from the receipt of the Deficiency Letter to submit its Plan to the Exchange for review. However, the Exchange may require submission of a company’s Plan within less than 30 days (but in no event less than seven days) if the Exchange has established a time period of 90 days or less for the company to regain compliance with some or all of the continued listing standards pursuant to paragraph (b) of this Rule. If it does not submit a Plan within the specified time period, delisting procedures will commence. The Plan must include specific milestones, quarterly financial projections, and details related to any strategic initiatives the company plans to complete. The Exchange will evaluate the Plan, including any additional documentation that supports the Plan, and make a determination as to whether the company has made reasonable demonstration in the Plan of an ability to regain compliance with the continued listing standards within the time period described in paragraph (b) of this Rule. The Exchange will make such determination within 45 days of receipt of the proposed Plan (or such shorter period of time as is consistent with the time period established by the Exchange for the company to regain compliance pursuant to paragraph (b) of this Rule), and will promptly notify the company of its determination in writing.

(d) If the Exchange does not accept the Plan, the Exchange will promptly initiate delisting proceedings. The company may appeal the Exchange’s determination not to accept the Plan, and request a review thereof, in accordance with Rule 27010 and Rule 27200 Series.

(e) If the Exchange accepts the Plan, the company must make a public announcement through the news media, within four business days from receipt of the notification thereof, disclosing that the Exchange has accepted the Plan, that the company’s listing is being continued pursuant to an exception, and the term of the extension (the “Plan Period”). The Exchange will review the company on a quarterly basis for compliance with the Plan. If the company does not show progress consistent with the Plan, the Exchange will review the circumstances and variance, and determine whether such variance warrants the commencement of delisting procedures. Should the Exchange determine to proceed with delisting proceedings, it may do so regardless of the company’s continued listing status at that time.

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(f) If, prior to the end of the Plan Period, the company is able to demonstrate compliance with the continued listing standards (or that it is able to qualify under an original listing standard) for a period of two consecutive quarters, the Exchange will deem the Plan Period over. If the company does not meet continued listing standards at the end of the Plan Period, the Exchange will promptly initiate delisting procedures.

(g) The company may appeal an Exchange determination, pursuant to paragraph (e) or (f), to initiate delisting proceedings, and request a review thereof, in accordance with Rule 27010 and the Rule 27200 Series.

(h) If the company, within 12 months of the end of the Plan Period (including any early termination of the Plan Period under the procedures described in paragraph (g)), is again determined to be below continued listing standards, the Exchange will examine the relationship between the two incidents of falling below continued listing standards and re-evaluate the company's method of financial recovery from the first incident. It will then take appropriate action, which, depending upon the circumstances, may include truncating the procedures described above or immediately initiating delisting proceedings.

(i) The provisions of this Rule are also applicable to the trading of Securities admitted to unlisted trading privileges.

(j) An issuer that receives a Warning Letter pursuant to paragraph (a)(i) of this Rule and/or a Deficiency Letter pursuant to paragraph (b) of this Rule that it is below the continued listing criteria shall make a public announcement through the news media that it has received such Warning Letter and/or Deficiency Letter, and must include the specific policies and standards upon which the determination is based. Prior to the release of the public announcement, the issuer shall provide such announcement to the Exchange. The public announcement shall be made as promptly as possible, but not more than four business days following receipt of the Warning Letter or Deficiency Letter, as applicable.

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In determining whether to establish a time period of less than 18 months for a company to regain compliance with some or all of the continued listing standards, pursuant to paragraph (b), the Exchange will consider whether, in view of the nature and severity of the particular continued listing deficiency, including the investor protections concerns raised, 18 months would be an inappropriately long period of time to regain compliance. While it is not possible to enumerate all possible circumstances, the following is a non-exclusive list of the types of continued listing deficiencies that, based on the a particular listed company's unique situation, may result in imposition of a shorter time period: delinquencies with respect to SEC filing obligations, severe short-term liquidity and/or financial impairment, present or potential public interest concerns;¹ deficiencies with respect to the requisite distribution requirements that make the Security unsuitable for trading on BSTX.

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¹ Public interest concerns could include, for example, situations where the company, a corporate officer or affiliate is the subject of a criminal or regulatory investigation or action; or the company's auditors have resigned and withdrawn their most recent audit opinion raising concerns regarding the internal controls and financial reporting process. However, other situations not specifically enumerated could also raise public interest concerns regarding the appropriateness of a particular company's continued listing.

27010. Procedures for Delisting and Removal

(a) The action required to be taken by the Exchange to strike a class of Securities from listing and registration following certain corporate actions (as specified in Rule 12d2-2(a) promulgated under the Securities Exchange Act of 1934), such as where the entire Security class is matured, redeemed, retired or extinguished by operation of law is set forth in Rule 12d2-2(a) promulgated under the Securities Exchange Act.

(b) Whenever the Exchange determines, in accordance with Rule 27009 or otherwise, that a class of Securities should be removed from listing (or unlisted trading) for reasons other than the reasons specified in paragraph (a), it will follow the procedures contained in Rule 27200 Series.

(c) Whenever the Exchange is authorized to file an application with the Securities and Exchange Commission on Form 25 to strike a class of Securities from listing and registration for reasons other than certain corporate actions (as specified in Rule 12d2-2(a) promulgated under the Securities Exchange Act of 1934), the following procedures are applicable:

(i) The Exchange will file an application with the Securities and Exchange Commission on Form 25, with a statement attached that sets forth the specific grounds on which the delisting is based, in accordance with Sections 19(d) and 6(d) of the Exchange Act, and will promptly deliver a copy of such form and attached statement to the issuer of the class of Securities which is subject to delisting and deregistration. The Form 25 will be filed at least ten days prior to the date the delisting is anticipated to be effective.

(ii) The Exchange will provide public notice of its final determination to strike the class of Securities from listing by issuing a press release and posting notice on the Exchange's website at least ten days prior to the date that the delisting is anticipated to be effective. The posting will remain on the Exchange's website until the delisting is effective.

(iii) The issuer of the class of Securities which is subject to delisting must comply with all applicable reporting and disclosure obligations including, but not limited to, obligations mandated by the Exchange, state laws in effect in the state in which the issuer is incorporated, and the federal securities laws.

(d) An issuer may voluntarily withdraw its Securities from listing and registration with the Exchange as permitted by and in accordance with Exchange Rule 18 and Rule 12d2-2 under the Securities Exchange Act of 1934.

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(e) As required by Rule 12d2-2 under the Securities Exchange Act of 1934, upon receiving written notice from an issuer that such issuer has determined to withdraw a class of Securities from listing on BSTX pursuant to paragraph (d), the Exchange will provide notice on its website of the issuer's intent to delist its Securities beginning on the business day following such notice, which will remain posted on the Exchange's website until the delisting on Form 25 is effective.

27100 – Guide to Filing Requirements**27101. General**

An issuer having a Security listed on BSTX is required to file with the Exchange three (3) copies of all reports and other documents filed or required to be filed with the SEC. Listed issuers must comply with applicable SEC requirements with respect to the filing of reports and other documents through the SEC's Electronic Data Gathering Analysis and Retrieval ("EDGAR") system, and an issuer which submits such reports through EDGAR (as well as any reports which are permitted but not required to be submitted through EDGAR) will be deemed to have satisfied its filing requirement to the Exchange. A company that is not required to file reports with the SEC shall file with the Exchange three (3) copies of reports required to be filed with the appropriate regulatory authority. All required reports shall be filed with the Exchange on or before the date they are required to be filed with the SEC or appropriate regulatory authority.

The Exchange also requires that certain other submissions be made and notice be given to the Exchange on a timely basis, including but not limited to materials related to corporate actions (such as record dates and dividend and shareholder meeting notifications), additional listing applications and supporting materials, notices of changes in officers and directors, changes in the form or nature of securities or the general character of the business and all materials sent to shareholders or released to the press. Companies having a Securities listed on BSTX are urged to consult the Exchange or appropriate BSTX Listing Requirement provisions in this regard. In particular, see Rule 27007 (SEC Annual and Quarterly Report Timely Filing Criteria).

27200 Procedures for Review of Exchange Listing Determinations**27201. Purpose and General Provisions**

(a) The purpose of the Rule 27200 Series is to provide procedures for the independent review of determinations that prohibit or limit the continued listing (or unlisted trading) of an issuer's Securities on BSTX based upon the Suspension and Delisting Policies set forth in the Rule 21000 Series (Rule 27001-27009).

(b) At each level of a proceeding under this Rule 27200 Series, a Listing Qualifications Panel (as defined in Rule 27204 below), the Committee for Review (as defined in Rule 27205 below) or the Exchange Board of Directors, as part of its respective review, may request additional information from the issuer. The issuer will be afforded an opportunity to address the significance of the information requested.

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(c) At each level of a proceeding under this Rule 27200 Series, a Listing Qualifications Panel, the Committee for Review or the Exchange Board of Directors, as part of its respective review, may also consider the issuer's stock or Security price or any information that the issuer releases to the public, including any additional quantitative deficiencies or qualitative considerations reflected in the released information.

(d) At each level of a proceeding under the Rule 27200 Series, a Listing Qualifications Panel, the Committee for Review, or the Exchange Board of Directors, as part of its respective review, may consider any failure to meet any quantitative standard or qualitative consideration set forth in the Rule 27000 Series, including failures previously not considered in the proceeding. The issuer will be afforded notice of such consideration and an opportunity to respond.

(e) Although the Exchange has adopted certain standards under which it will normally give consideration to suspending dealings in, or removing, a Security from listing or unlisted trading, these standards in no way limit or restrict the Exchange in applying its policies regarding continued listing, and the Exchange may at any time, in view of the circumstances of each case, suspend dealings in, or file an application with the Securities and Exchange Commission on Form 25 to strike the class of Securities from listing or unlisted trading when in its opinion such Security is unsuitable for continued trading on BSTX. Such action will be taken in accordance with Rule 27010 regardless of whether the issuer meets or fails to meet any or all of the continued listing standards.

27202. Written Notice of Exchange Determination

(a) If the Exchange reaches a determination to limit or prohibit the continued listing of an issuer's Securities, it will notify the issuer in writing, describe the specific grounds for the determination, identify the quantitative standard(s) or qualitative consideration(s) set forth in Rule 27000 Series that the issuer has failed to satisfy, and provide notice that upon request the issuer will be provided an opportunity for a hearing under the procedures set forth in this Rule 27200 Series (the "Exchange Determination").

(b) An issuer that receives an Exchange Determination to prohibit the continued listing of the issuer's Securities under Rule 27202(a) shall make a public announcement through the news media that it has received such notice, including the specific policies and standards upon which the determination was based. Prior to the release of the public announcement, the issuer shall provide such announcement to the Exchange. The public announcement shall be made as promptly as possible, but not more than four business days following receipt of the Exchange Determination.

27203. Request for Hearing

(a) An issuer may, within seven calendar days of the date of the Exchange Determination, request either a written or oral hearing to review the Exchange Determination. Requests for hearings should be filed with the Exchange's Legal Department. An issuer must submit a hearing fee to the Exchange, to cover the cost of holding the hearing, as follows: (1) where consideration is on the basis of a written submission from the issuer, \$8,000 or (2) where consideration is on

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the basis of an oral hearing, whether in person or by telephone, \$10,000. No payment will be credited and applied towards the applicable hearing fee unless the issuer has previously paid all applicable listing fees due to the Exchange. The issuer will be deemed to have waived the opportunity to request a hearing, and a hearing will not be scheduled, unless the applicant has submitted such hearing fee and any unpaid listing fees due to the Exchange, in the form and manner prescribed by the Exchange, no later than seven calendar days of the date of the Exchange Determination. All hearings will be held before a Listing Qualifications Panel as described in Rule 27204. All hearings will be scheduled on a date and time determined by the Exchange's Legal Department, to the extent practicable, within 45 days of the date that the request for hearing is filed, at a location determined by the Exchange's Legal Department. The Exchange will make an acknowledgment of the issuer's hearing request stating the date, time, and location of the hearing, and the deadline for written submissions to the Listing Qualifications Panel. The issuer will be provided at least 10 calendar days notice of the hearing unless the issuer waives such notice.

(b) The issuer may file a written submission with the Exchange's Legal Department stating the specific grounds for the issuer's contention that the Exchange's determination was in error and/or requesting an extension of time to comply with the continued listing standards as permitted by Rule 27009. The issuer may also submit any documents or other written material in support of its request for review, including any information not available at the time of the Exchange Determination.

(c) A request for a hearing will ordinarily stay a delisting action pursuant to an Exchange Determination to prohibit the continued listing of an issuer's Securities in accordance with Rule 27204(d), but the Exchange may immediately suspend trading in any Security or Securities pending review should it determine that such immediate suspension is necessary or appropriate in the public interest, for the protection of investors, or to promote just and equitable principles of trade. If the issuer does not request a review and pay the requisite fee, within the time period specified in paragraph (a) of this Section, the Exchange shall suspend trading in the Security or Securities when such time period has elapsed and the Exchange staff shall file an application with the Securities and Exchange Commission on Form 25 to strike the class of Securities from listing and registration in accordance with Section 12 of the Securities Exchange Act of 1934 and the rules promulgated thereunder and in accordance with Rule 27010.

27204. The Listing Qualifications Panel

(a) All hearings will be conducted before a Listing Qualifications Panel ("Panel") comprised of at least two members of the Committee for Review. No person shall serve as a Panel member for a matter if his or her interest or the interests of any person in whom he or she is directly or indirectly interested will be substantially affected by the outcome of the matter. In the event of a tie vote among the panel members, the matter will be forwarded to the full Committee for Review for review pursuant to Rule 27205.

(b) Prior to the hearing, the Panel will review the written record, as defined in Rule 27207. At the hearing, the issuer may make such presentation as it deems appropriate, including the appearance

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by its officers, directors, accountants, counsel, investment bankers, or other persons. Hearings are generally scheduled for thirty minutes, but may be extended at the discretion of the Panel. The Panel may question any representative of the issuer appearing at the hearing. A transcript of oral hearings will be kept. The record of proceedings before the Panel will be kept by the Exchange's Legal Department.

(c) After the hearing, the Panel will issue a written decision (the "Panel Decision") describing the specific grounds for its determination and identifying any quantitative standard or qualitative consideration set forth in the Rule 27000 Series that the issuer has failed to satisfy, including, if applicable, the basis for its determination that the issuer's Securities should continue to be listed as permitted by Rule 27009 or that the Exchange Determination was in error. The Panel Decision will be promptly provided to the issuer and is effective immediately unless it specifies to the contrary, or as provided in paragraph (d) of this Section. The Panel Decision will provide notice that the issuer may request review of the Panel Decision by the Committee for Review within 15 calendar days of the date of the Panel Decision and that any such Committee for Review Decision may be called for review by the Exchange Board of Directors not later than the next Exchange Board meeting that is 15 calendar days or more following the date of the Committee for Review Decision pursuant to Rule 27206.

(d) If the Panel Decision provides that the issuer's Security or Securities should be delisted, the Exchange will suspend trading in such Securities as soon as practicable and initiate the delisting process in accordance with Rule 27010.

27205. Review By the Exchange Committee for Review

(a) The Committee for Review is defined in Section 6.07 of the Exchange's by-laws.

(b) The issuer may initiate the Committee for Review's review of any Panel Decision by making a written request within 15 calendar days of the date of the decision. Requests for review should be addressed to the Committee for Review in care of the Exchange's Legal Department. If the issuer requests review of the Panel Decision, the issuer must submit a fee of \$10,000 to the Exchange to cover the cost of the review by the Committee for Review. No payment will be credited and applied towards the applicable hearing fee unless the issuer has previously paid all applicable listing fees due to the Exchange. The issuer will be deemed to have waived the opportunity for review, and a review will not be commenced, unless the issuer has submitted the hearing fee and any unpaid listing fees due to the Exchange, in the form and manner prescribed by the Exchange, within 15 calendar days of the date of the Panel Decision.

Upon receipt of the request for review, the Exchange's Legal Department will make an acknowledgment of the issuer's request stating the deadline for the issuer to provide any written submissions.

(c) The Committee for Review may authorize the continued listing of the issuer's Securities if it determines that such Securities should continue to be listed as permitted by Rule 27009 or the Panel Decision was in error.

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(d) The Committee for Review will consider the written record and, in its discretion, hold additional hearings. Any hearing will be scheduled, to the extent practicable, within 45 days of the date that a request for review initiated by the issuer is made. The Committee for Review may also recommend that the Exchange Board of Directors consider the matter. The record of proceedings before the Committee for Review will be kept by the Exchange's Legal Department.

(e) The Committee for Review will issue a written decision (the "Committee for Review Decision") that affirms, modifies, or reverses the Panel Decision or that refers the matter to the Exchange staff or to the Panel for further consideration. The Committee for Review will describe the specific grounds for the decision, identify any quantitative standard or qualitative consideration set forth in the Rule 27000 Series that the applicant has failed to satisfy, including, if applicable, the basis for its determination that the issuer's securities should continue to be listed as permitted by Rule 27009 or the Panel Decision was in error, and provide notice that the Exchange Board of Directors may call the Committee for Review Decision for review at any time before its next meeting that is at least 15 calendar days following the issuance of the Committee for Review Decision. The Committee for Review Decision will be promptly provided to the issuer and will take immediate effect unless it specifies to the contrary, or as provided in Rule 27205(f).

(f) If the Committee for Review Decision reverses the Panel Decision and provides that the issuer's Security or Securities should not be delisted, and such Security or Securities have been suspended pursuant to Rule 27204(d), such suspension shall continue until either the Committee for Review Decision represents final action of the Exchange as specified in Rule 27206(d) or in accordance with a discretionary review by the Exchange Board of Directors pursuant to Rule 27206.

(g) If the issuer does not request a review, and pay the requisite fee, within the time period specified in paragraph (b) of this Rule, by the Committee for Review of a Panel Decision which provided that the issuer's Security (or Securities) should be delisted, when such time period has elapsed, the Exchange will suspend trading in such Security (or Securities), if it has not already done so pursuant to Rule 27204(d), and file an application with the Securities and Exchange Commission on Form 25 to strike the class of Securities from listing and registration in accordance with the Rule 27200 Series of the Securities Exchange Act of 1934 and the rules promulgated thereunder and in accordance with Rule 27010.

27206. Discretionary Review by Board of Directors

(a) A Committee for Review Decision may be called for review by the Exchange Board of Directors solely upon the request of one or more Directors not later than the next Exchange Board of Directors meeting that is 15 calendar days or more following the date of the Committee for Review Decision. Such review will be undertaken solely at the discretion of the Exchange Board of Directors. The institution of discretionary review by the Exchange Board of Directors will not operate as a stay of the Committee for Review Decision. At the sole discretion of the Exchange Board of Directors, the call for review of a Committee for Review Decision may be withdrawn at any time prior to the issuance of a decision.

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(b) If the Exchange Board of Directors conducts a discretionary review, the review generally will be based on the written record considered by the Committee for Review. The Exchange Board of Directors will be provided with the documents in the Record on Review as specified in Rule 27207, except for the issuer's public filings and information released to the public by the issuer, which will be available on request from the Exchange's Legal Department. However, the Exchange Board of Directors may, at its discretion, request and consider additional information from the issuer and/or from the Exchange staff. Should the Exchange Board of Directors consider additional information, the record of proceedings before the Exchange Board of Directors will be kept by the Exchange's Legal Department.

(c) The Exchange Board of Directors may authorize the applicant's Securities for continued listing if it determines that the issuer's Securities should continue to be listed as permitted by Rule 27009 or the Committee for Review Decision was in error.

(d) If the Exchange Board of Directors conducts a discretionary review, the issuer will be provided with a written decision describing the specific grounds for its decision, and identifying any quantitative standard or qualitative consideration set forth in the Rule 27000 Series that the issuer has failed to satisfy, including, if applicable, the basis for its determination that the issuer's Securities should continue to be listed as permitted by Rule 27009 or that the Committee for Review Decision was in error. The Board may affirm, modify or reverse the Committee for Review Decision and may remand the matter to the Committee for Review for Panel or Exchange staff with appropriate instructions. The decision represents the final action of the Exchange and will take immediate effect unless it specifies to the contrary. If the Board Decision provides that the issuer's Security (or Securities) should be delisted, the Exchange will suspend trading in such Security (or Securities) on BSTX as soon as practicable, if it has not already done so pursuant to Rule 27204(d), and the Exchange staff will file an application with the Securities and Exchange Commission on Form 25 to strike the class of Securities from listing and registration in accordance with Section 12 of the Securities Exchange Act of 1934 and the rules promulgated thereunder and in accordance with Rule 27010.

(e) If the Exchange Board of Directors declines to conduct a discretionary review or withdraws its call for review, the issuer will be promptly provided with written notice that the Committee for Review Decision represents the final action of the Exchange. If the Committee for Review Decision provides that the issuer's Security or Securities should be delisted, upon the expiration of the time period specified in paragraph (a) of this Section, or upon the Exchange Board of Directors' determination to withdraw a call for review, the Exchange will suspend trading in such Security or Securities as soon as practicable, if it has not already done so pursuant to Rule 27204(d), and the Exchange staff will file an application with the Securities and Exchange Commission on Form 25 to strike the class of Securities from listing and registration in accordance with Section 12 of the Securities Exchange Act of 1934 and the rules promulgated thereunder and in accordance with Rule 27010.

(f) Any issuer aggrieved by a final action of the Exchange may make application for review to the Commission in accordance with Section 19 of the Securities Exchange Act of 1934.

EXHIBIT 5A**27207. Record on Review**

(a) Documents in the written record may consist of the following items, as applicable: correspondence between the Exchange and the issuer, the issuer's public filings, information released to the public by the issuer, and any written submissions or exhibits submitted by either the issuer, or the Exchange's listing department, including any written request for listing approval pursuant to Rule 27203(c) or continued listing pursuant to Rule 27009 and any response thereto. Any additional information requested from the issuer by the Panel, the Exchange Board of Directors, or any other unit of the Exchange such as the Committee for Review, as part of the review process will be included in the written record. The written record will be supplemented by the transcript of any oral hearings held during the review process and each decision issued. At each level of review under this Rule 27200 Series, the issuer will be provided with a list of documents in the written record, and a copy of any documents included in the record that are not in the issuer's possession or control, at least three calendar days in advance of the deadline for the issuer's submissions, unless the applicant waives such production.

(b) In addition to the documents described in paragraph (a) above, if the issuer's Security price or any information that the issuer releases to the public is considered as permitted in Rule 27201(c), that information, and any written submission addressing the significance of that information, will be made part of the record.

(c) If additional issues arising under the Rule 26100 Series or the Rule 27000 Series are considered, as permitted in Rule 27201, the notice of such consideration and any response to such notice will be made a part of the record.

27208. Document Retention Procedures

Any document submitted to the Exchange in connection with a Rule 27200 Series proceeding that is not made part of the record will be retained by the Exchange until the date upon which the Rule 27200 Series proceeding decision becomes final including, if applicable, upon conclusion of any review by the Commission or a federal court.

27209. Delivery of Documents

Delivery of any document under this Rule 27200 Series by an issuer or by the Exchange may be made by hand delivery or overnight courier to the designated address, or by facsimile to the designated facsimile number and regular mail to the designated address. Delivery will be considered timely if delivered by hand or overnight courier prior to the relevant deadline or upon being faxed and sent by regular mail service prior to the relevant deadline. If an issuer has not specified a facsimile number or address, delivery will be made to the last known facsimile number and address. If an issuer is represented by counsel or a representative, delivery will be made to the counsel or representative.

27210. Computation of Time

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In computing any period of time under this Rule 27200 Series, the day of the act, event, or default from which the period of time begins to run is not to be included. The last day of the period so computed is included, unless it is a Saturday, Sunday, federal holiday, or Exchange holiday in which event the period runs until the end of the next day that is not a Saturday, Sunday, federal holiday or Exchange holiday.

27211. Prohibited Communications

(a) Unless on notice and opportunity for the appropriate Exchange staff and the issuer to participate, a representative of the Exchange involved in reaching an Exchange Determination, or an issuer, counsel to or representative of an issuer, shall not make or knowingly cause to be made a communication relevant to the merits of a proceeding under this Rule 27200 Series (a “Prohibited Communication”) to any member of the Panel, Committee for Review or to any Director of the Exchange Board of Directors, who is participating in or advising in the decision in that proceeding, or to any Exchange employee who is participating or advising in the decision of these individuals.

(b) Panel, Committee for Review members, Board of Directors and Exchange employees who are participating in or advising in the decision in a proceeding under this Rule 27200 Series, shall not make or knowingly cause to be made a Prohibited Communication to an issuer, counsel to or representative of an issuer, or a representative of the Exchange involved in reaching an Exchange Determination.

(c) If a Prohibited Communication is made, received, or caused to be made, the Exchange will place a copy of it, or its substance if it is an oral communication, in the record of the proceeding. The Exchange will permit Exchange staff or the issuer, as applicable, to respond to the Prohibited Communication, and will place any response in the record of the proceeding.

(d) If the issuer submits a proposal to resolve matters at issue in a Rule 27200 Series proceeding, that submission will constitute a waiver of any claim that the Exchange communications relating to the proposal were Prohibited Communications.

28000 – DUES, FEES, ASSESSMENTS, AND OTHER CHARGES**28000. Authority to Prescribe Dues, Fees, Assessments and Other Charges**

- (a) *Generally.* Consistent with Exchange Rule 2080, the Exchange may prescribe such reasonable dues, fees, assessments or other charges as it may, in its discretion, deem appropriate. Such dues, fees, assessments and charges may include membership dues, transaction fees, communication and technology fees, regulatory charges, listing fees, and other fees and charges as the Exchange may determine. All such dues, fees and charges shall be equitably allocated among BSTX Participants, issuers and other persons using the Exchange’s facilities.
- (b) *Regulatory Transaction Fee.* Under Section 31 of the Act, the Exchange must pay certain fees to the Commission. To help fund the Exchange’s obligations to the Commission under Section 31, this Regulatory Transaction Fee is assessed to BSTX Participants. To

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the extent there may be any excess monies collected under this Rule, the Exchange may retain those monies to help fund its general operating expense. Each BSTX Participant engaged in executing transactions on the Exchange shall pay, in such manner and at such times as the Exchange shall direct, a Regulatory Transaction Fee equal to (i) the rate determined by the Commission to be applicable to covered sales occurring on the Exchange in accordance with Section 31 of the Act multiplied by (ii) the BSTX Participant's aggregate dollar amount of covered sales occurring on the Exchange during any computational period.

- (c) *Schedule of Fees.* The Exchange will provide BSTX Participants with notice of all relevant dues, fees, assessments and charges of the Exchange. Such notice may be made available to BSTX Participants on the Exchange's website or by any other method deemed reasonable by the Exchange.

28010. Regulatory Revenues

Any revenues received by the Exchange from fees derived from its regulatory function or regulatory fines will not be used for non-regulatory purposes or distributed to the stockholder, but rather, shall be applied to fund the legal and regulatory operations of the Exchange (including surveillance and enforcement activities), or, as the case may be, shall be used to pay restitution and disgorgement of funds intended for customers (except in the event of liquidation of the Exchange).

EXHIBIT 5B**BOX Exchange LLC**

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100 Definitions

(a) With respect to these Rules, the following terms shall have the meanings specified in this Rule 100. A term defined elsewhere in these Rules shall have the same meaning with respect to this Rule 100 Series, unless otherwise defined below.

(1) through (40) No change.

(41) The term “Options Participant” is a Participant registered with the Exchange for purposes of participating in options trading on the Exchange.

[(41)] (42) The term [“Options Participant” or] “Participant” means a firm, or organization that is registered with the Exchange pursuant to the Rule 2000 Series for purposes of participating in trading on a facility of the Exchange and includes an “Options Participant” and “BSTX Participant.”

[(42)] (43) The term “Options Principal” means persons associated with a Participant, enumerated in subparagraphs (i) through (v) hereafter, who are actively engaged in the management of the Options Participant's investment banking or securities business, including supervision, solicitation, conduct of business or the training of persons associated with a Participant for any of these functions. Designated Options Principals shall include:

- (i) Sole Proprietors;
- (ii) Officers;
- (iii) Partners;
- (iv) Branch Manager; and
- (v) Directors of Corporations.

[(43)] (44) The term “Options Participation Agreement” means the agreement to be executed by Options Participants to qualify to participate on BOX.

[(44)] (45) The term “OPRA” means the Options Price Reporting Authority.

[(45)] (46) The term “order” means a firm commitment to buy or sell options contracts as defined in Rule 7110 (Order Entry).

[(46)] (47) The terms “Order Flow Provider” or “OFP” mean those Options Participants representing as agent Customer Orders on BOX and those non-Market Maker Participants conducting proprietary trading.

[(47)] (48) The term “**outstanding**” means an options contract which has been issued by the Clearing Corporation and has neither been the subject of a closing writing transaction nor has reached its expiration date.

[(48)] (49) The term “**person**” means any natural person, company, government, or political subdivision, agency, or instrumentality of a government.

[(49)] (50) The term “**pre-opening**” means the period immediately prior to the market open on BOX, beginning at a time specified by BOX, during which Options Participants may log on to the Trading Host and submit, amend and withdraw orders, but no trading can occur.

[(50)] (51) The term “**primary market**” means the principal market in which an underlying security is traded.

[(51)] (52) The term “**Professional**” means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). All Professional orders shall be appropriately marked by Participants. A Professional will be treated in the same manner as a broker-dealer for purposes of Rules 7150 and 7245. Except as noted below, each order of any order type counts as one order for Professional order counting purposes.

(a) – (c) No change.

[(52)] (53) The term “**Public Customer**” means a person that is not a broker or dealer in securities.

[(53)] (54) The term “**Public Customer Order**” means an order for the account of a Public Customer.

[(54)] (55) The term “**put**” means an options contract under which the holder of the option has the right, in accordance with the terms and provisions of the option and the Rules of the OCC, to sell to the Clearing Corporation the number of units of the underlying security covered by the options contract, at a price per unit equal to the exercise price, upon the timely exercise of such option.

[(55)] (56) The term “**Quarterly Options Series**” means a series in an options class that is approved for listing and trading on the Exchange in which the series is opened for trading on any business day and that expires at the close of business on the last business day of a calendar quarter.

[(56)] (57) The term “**quote**” or “**quotation**” means a bid or offer entered by a Market Maker as a firm order that updates the Market Maker's previous bid or offer, if any.

[(57)] (58) The term “**Representative**” means persons associated with a Participant, including assistant officers other than principals, who are engaged in the investment banking or securities business for the Participant including the functions of supervision, solicitation, or conduct of business in securities or who are engaged in the training of persons associated with a Participant for any of these functions.

[(58)] (59) The term “**Request for Quote**” or “**RFQ**” shall mean a message that may be issued by an Options Participant in order to signal an interest in an options series and

request response from other Participants. The RFQ contains only the series symbol and quantity and is broadcast to all Participants.

[(59)] (60) The term “**Rules**” means the Exchange By-Laws, the Exchange LLC Agreement, and these Rules of the Exchange.

[(60)] (61) The term “**Rules of the Clearing Corporation**” or “**Rules of the OCC**” means the Certificate of Incorporation, the By-Laws and the Rules of the Clearing Corporation, and all written interpretations thereof, as may be in effect from time to time.

[(61)] (62) The term “**SEC**” or “**Commission**” means the United States Securities and Exchange Commission.

[(62)] (63) The term “**series of options**” means all options contracts of the same class of options having the same exercise price and expiration date.

[(63)] (64) The term “**session end**” means the period immediately following Market Close, ending at a time specified by BOX, during which Options Participants may withdraw any “good-till-canceled” orders that they do not wish to remain in the market for the following market day.

[(64)] (65) The term “**short position**” means a person's interest as the writer of one or more options contracts.

[(65)] (66) The term “**Short Term Option Series**” means a series in an option class that is approved for listing and trading on BOX in which the series is opened for trading on any Monday, Tuesday, Wednesday, Thursday or Friday that is a business day and that expires on the Monday, Wednesday or Friday of the next business week, or, in the case of a series that is listed on a Friday and expires on a Monday, is listed one business week and one business day prior to that expiration. If a Tuesday, Wednesday, Thursday or Friday is not a business day, the series may be opened (or shall expire) on the first business day immediately prior to that Tuesday, Wednesday, Thursday or Friday, respectively. For a series listed pursuant to this section for Monday expiration, if a Monday is not a business day, the series shall expire on the first business day immediately following that Monday.

[(66)] (67) The term “**SRO**” means a self-regulatory organization as defined in Section 3(a)(26) of the Exchange Act.

[(67)] (68) The term “**Trading Floor**” or “**Options Floor**” means the physical trading floor of the Exchange located in Chicago. The Trading Floor shall consist of one “Crowd Area” or “Pit” where all option classes will be located. The Crowd Area or Pit shall be marked with specific visible boundaries on the Trading Floor, as determined by the Exchange. A Floor Broker must open outcry an order in the Crowd Area.

[(68)] (69) The term “**Trading Host**” means the automated trading system used by BOX for the trading of options contracts.

[(69)] (70) The term “**type of option**” means the classification of an options contract as either a put or a call.

[(70)] (71) The term “**uncovered**” means a short position in an options contract that is not covered.

[(71)] (72) The term “**underlying security**” means the security that the Clearing Corporation shall be obligated to sell (in the case of a call option) or purchase (in the case of a put option) upon the valid exercise of an options contract.

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2020 Participant Eligibility and Registration

(a) – (f) No Change.

(g) Persons Exempt from Registration. The following persons associated with a Participant are not required to be registered with the Exchange:

- (1) persons associated with a Participant whose functions are solely and exclusively clerical or ministerial; and
- (2) [persons associated with a Participant who are not actively engaged in the options securities business.] persons associated with a Participant whose functions are related solely and exclusively to transactions in municipal securities; (3) persons associated with a Participant whose functions are related solely and exclusively to transactions in commodities; (4) persons associated with a Participant whose functions are related solely and exclusively to transactions securities futures, provided that any such person is appropriately registered with a registered futures association; and (5) persons associated with a Participant who are restricted from accessing the Exchange and that do not engage in the securities business of the Participant relating to activity that occurs on the Exchange.

(h) – (i) No Change.

* * * * *

2060 Revocation of Participant Status or Association with a Participant

Participants or associated persons of Participants may effect approved [options] securities transactions on BOX trading facilities only so long as they possess all the qualifications set forth in the Exchange Rules. Except where, pursuant to Section 17(d) of the Act, the Exchange has been relieved of its responsibility to monitor the continued qualifications of a Participant or an associated person of a Participant, when the Exchange has reason to believe that a Participant or associated person of a Participant fails to meet such qualifications, the Exchange may act to revoke such person's Participant status or association. Such action shall be instituted under, and governed by, the Exchange Rule 11000 Series and Rule 12000 Series and may be appealed under the Rule 13000 Series of the Exchange Rules governing adverse action. In connection with any revocation of rights as a Participant or voluntary termination of rights as a Participant pursuant to Rule 2070, the Participant status in the Exchange shall be cancelled.

* * * * *

3180 Mandatory Systems Testing

(a) Each Participant that the Exchange designates as required to participate in a system test must conduct or participate in the testing of its computer systems to ascertain the compatibility of such

systems with the Exchange's systems in the manner and frequency prescribed by the Exchange. The Exchange will designate Participants as required to participate in a system test based on: (1) the category of the Participant (e.g., Market Maker, [and] OFP, BSTX Participant); (2) the computer system(s) the Participant uses; and (3) the manner in which the Participant connects to the Exchange. The Exchange will give Participants reasonable notice of any mandatory systems test, which notice will specify the nature of the test and Participants' obligations in participating in the test.

(b) through (c) No Change.

* * * * *

7130 Execution and Price/Time Priority

(a) BOX shall make available to market participants market information in the manner described in subsection (a)(2) of this Rule. BOX will also disseminate current consolidated quotations/last sale information, and such other market information as may be made available from time to time pursuant to agreement between BOX and OPRA in the manner described in subsection (a)(3).

(1) *Ranking.* Orders of Options Participants shall be ranked and maintained in the BOX Book according to price-time priority, such that within each price level, all orders shall be organized by the time of entry in the following manner:

(i) Limit Orders, with no other conditions, shall be ranked ahead of all other orders based on the specified limit price and the time of original order entry.

(ii) Conditional orders shall be ranked behind all unconditional Limit Orders at the specified limit price based upon the time of order entry with earlier orders receiving priority.

(2) *Display.* BOX makes the proprietary High Speed Vendor Feed (“HSVF”) of BOX market information available to all market participants. The HSVF contains the following information:

(i) Trades and trade cancellation information;

(ii) Best-ranked price level to buy and the best ranked price level to sell;

(iii) Instrument summaries (including information such as high, low, and last trade price and traded volume);

(iv) The five best limit prices and the best-ranked Legging Order (if any) as defined in 7240(c)(1), for each option instrument, and the five best limit prices and the best-ranked Implied Order (if any), as defined in 7240(d)(1) for each Complex Order Strategy;

(v) Request for Quote messages (see Rule 100(a)[(58)](59), Rule 7070(h), and Rule 8050);

(vi) PIP Order, COPIP Order, Improvement Order and Block Trade Order (Facilitation and Solicitation) information (as set forth in Rule 7150, 7245 and Rule 7270, respectively);

(vii) Orders exposed at NBBO (as set forth in this Rule 7130(b)(2) and Rule 8040(d)(6) of the BOX Rules, respectively) and Complex Orders exposed pursuant to Rule 7240(b)(3)(iii)(B);

(viii) Instrument dictionary (e.g. strike price, expiration date, underlying symbol, price threshold, and minimum trading increment for instruments traded on BOX);

(ix) Options class and instrument status change notices (e.g., whether an instrument or class is in pre-opening, continuous trading, closed, halted, or whether prohibited from trading);

(x) Options class opening time;

(xi) Public Customer bid/ask volume at the best limit; and

(xii) Participant ID, including any supplemental clearing information, if elected, pursuant to Rule 7130(b)(3)(iii).

(3) through (7) No Change.

(b) No Change.

* * * * *

7150 Price Improvement Period (“PIP”)

(a) For purposes of this Rule 7150,

(1) an “Unrelated Order” shall be defined as a non-Improvement Order entered into the BOX market during a PIP; and

(2) Professionals are treated as provided in Rule 100(a)[(51)](52).

(b) through (1) No Change.

* * * * *

7230 Limitation of Liability

(a) The Exchange, BOX and any of their respective affiliates, and their respective directors, officers, committee members, employees, contractors, and agents or other persons acting on their behalf (“Exchange Related Persons and/or Entities”) will not be liable to [Options] Participants or users for any loss, damages, claim or expense:

(1) growing out of the use or enjoyment of BOX or the Trading Host; or

(2) arising from or occasioned by any inaccuracy, error or delay in, or omission of or from the collection, calculation, compilation, maintenance, reporting or dissemination of any information derived from BOX, resulting either from any act or omission by any Exchange Related Persons and/or Entities, or from any act, condition or cause beyond the reasonable control of any Exchange Related Persons and/or Entities, including but not limited to flood, extraordinary weather conditions, earthquakes or other acts of God, fire,

war, terrorism, insurrection, riot, labor dispute, accident, action of government, communications or power failure, or equipment or software malfunction.

(3) Generally, in the event of a BOX market outage, or interruption of service, a loss pertaining to an order that is entered into BOX will be absorbed by the order entering [Options] Participant organization. Without limiting the generality of the foregoing, Exchange Related Persons and/or Entities shall not have any liability to any person for any loss, expense, damages or claims that result from any error, omission or delay in calculating or disseminating any current or closing index value or any reports of transactions in or quotations for options or other securities, including underlying securities.

(b) Exchange Related Persons and/or Entities shall not be liable to [Options] Participants nor any persons associated with [Options] Participants for any loss, expense, damages or claims arising out of the use of the facilities, systems or equipment afforded by BOX in relation to the BOX market, or any interruption in or failure or unavailability of any such facilities, systems or equipment, whether or not such loss, expense, damages or claims result or are alleged to result from negligence or other unintentional errors or omissions on the part of any Exchange Related Persons and/or Entities or from systems failure, or from any other cause within or outside the control of BOX. Without limiting the generality of the foregoing, Exchange Related Persons and/or Entities shall not have any liability to any person for any loss, expense, damages or claims that result from any error, omission or delay in calculating or disseminating any current or closing index value or any reports of transactions in or quotations for options or other securities, including underlying securities.

(c) Exchange Related Persons and/or Entities make no warranty, express or implied, as to results to be obtained by any person or entity from the use of any data transmitted or disseminated by or on behalf of BOX or any reporting authority designated by BOX, including but not limited to, reports of transactions in or quotations for securities traded on BOX or underlying securities, or reports of interest rate measures or index values or related data, and Exchange Related Persons and/or Entities make no express or implied warranties of merchantability or fitness for a particular purpose or use with respect to any such data.

(d) No [Options] Participant or person associated with an [Options] Participant shall institute a lawsuit or other legal proceeding against any Exchange Related Persons and/or Entities for actions taken or omitted to be taken in connection with the official business of BOX or any subsidiary, except to the extent such actions or omissions constitute violations of the federal securities laws for which a private right of action exists. This provision shall not apply to appeals of disciplinary actions or other actions by the Exchange as provided for in the Rules.

(e) Notwithstanding paragraphs (a), (b), and (d) above, and subject to the express limits set forth below, BOX may compensate [Options] Participants for losses resulting directly from the malfunction of the physical equipment, devices, or programming of Exchange Related Persons and/or Entities, or from the negligent acts or omissions of employees of the Exchange or BOX.

(1) As to the aggregate of all claims made by all [Options] Participants under this Rule during a single calendar month, BOX shall not be liable in excess of the larger of \$500,000, or the amount of any recovery obtained by BOX under any applicable insurance maintained by BOX.

(2) In the event that all of the claims made under this Rule cannot be fully satisfied because in the aggregate they exceed the applicable maximum limitations provided in this Rule, then the maximum permitted amount will be proportionally allocated among all such claims arising during a single calendar month based on the proportion that each such claim bears to the sum of all such claims.

(3) All claims for compensation pursuant to this Rule shall be in writing and must be submitted no later than 12:00 p.m. ET on the next business day following the day on which the use of BOX gave rise to such claims. Once in receipt of a claim, BOX will verify that: (i) a valid order was accepted into BOX; and (ii) any loss claimed resulted directly from the malfunction of the physical equipment, devices, or programming of Exchange Related Persons and/or Entities, or from the negligent acts or omissions of employees of the Exchange or BOX during the execution or handling of that order.

(f) Each [Options] Participant that physically conducts business on the Exchange's Trading Floor is required, at its sole cost, to procure and maintain liability insurance that provides defense and indemnity coverage for itself, any person associated with it, and the Exchange for any action or proceeding brought, or claim made, to impose liability upon such [Options] Participant, associated person, or the Exchange resulting from, relating to, or arising out of the conduct of the [Options] Participant or associated person (hereinafter, "Insurance"). The Insurance shall further provide defense and indemnity coverage to the Exchange for the Exchange's sole, concurrent, or contributory negligence, or other wrongdoing, relating to or in connection with such claim. The Exchange shall be expressly named by endorsement as an Additional Insured under the Insurance. The Exchange's status and rights to coverage under the Insurance shall be the same rights of the named insured of the Insurance, including, without limitation, rights to the full policy limits. In addition:

(1) The limits for the Insurance shall be not less than \$1,000,000 without erosion by defense costs, but under no circumstance shall the Exchange be entitled to less than the full policy limits of such Insurance.

(2) The Insurance shall state that it is primary to any insurance maintained by the Exchange.

(3) Each [Options] Participant annually shall cause a certificate of insurance to be issued directly to the Exchange demonstrating that insurance compliant with this Rule has been procured and is maintained. Each [Options] Participant also shall furnish a copy of the Insurance to the Exchange for review upon the Exchange's request at any time.

(4) This section (f) is the only section of Rule 7230 specifically limited to [Options] Participants physically located on the Exchange's Trading Floor.

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7245 Complex Order Price Improvement Period ("COPIP")

(a) For purposes of this Rule 7245,

(1) an “Improvement Order” shall be defined as a competing Complex Order submitted to BOX by an OFP or Market Maker during a COPIP;

(2) an "Unrelated Order" shall be defined as a non-Improvement Order entered on BOX during a COPIP or BOX Book Interest during a COPIP;

(3) “BOX Book Interest” shall be defined as bids and offers on the BOX Book for the individual legs of a Strategy; and

(4) Professionals are treated as provided in Rule 100(a)[(51)](52).

(b) through (l) No Change.

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IM-8050-3

(a) Notwithstanding Rule 100(a)[(55)](57), all quotes and quote updates on BOX after the opening are liquidity adding only. Specifically, after the Opening Match pursuant to Rule 7070, a Market Maker’s quote will not execute against a resting order or quote on the BOX Book. If an incoming quote is marketable against the BOX Book and will execute against a resting order or quote, it will be rejected.

(b) No Change.

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11010 Investigation Following Suspension

(a) Every Participant or person associated with a Participant against which action has been taken in accordance with the Summary Suspension procedures of this Rule 11000 Series shall immediately afford every facility required by the Exchange for the investigation of his or its affairs and shall forthwith file with the Secretary a written statement covering all information requested, including a complete list of creditors and the amount owing to each and a complete list of each open long and short security position [in BOX options contracts] maintained by the Participant and each of his or its Customers.

(b) Paragraph (a) includes, without limitation, the furnishing of such books and records of the Participant or person associated with a Participant and the giving of such sworn testimony as may be requested by the Exchange.

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11030 Failure to Obtain Reinstatement

If an [Options] Participant suspended under the provisions of this Rule 11000 Series fails or is unable to apply for reinstatement in accordance with Rule 11020 or fails to obtain reinstatement as therein provided, the Exchange shall revoke his or its Participant status in accordance with Rule 12110(a).

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12030 Letters of Consent

(a) In lieu of the procedures set forth in Rules 12040 through 12060 (Charges, Answer and Hearing), a matter may be disposed of through a letter of consent.

(1) A matter can only be disposed of through a letter of consent if regulatory staff, including regulatory staff of another SRO acting on the Exchange's behalf pursuant to Rule 12150 (collectively, "SRO Staff") and the [Options] Participant or person(s) who is the subject of the investigation (the "Subject") are able to agree upon terms of a letter of consent. Such letter must be signed by the Subject and must set forth a stipulation of facts and findings concerning the Participant's conduct, the violation(s) committed by the Participant and the sanction(s) therefor.

(2) through (3) No Change.

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12140 Imposition of Fines for Minor Rule Violations

(a) *General.* In lieu of commencing a disciplinary proceeding, the Exchange may, subject to the requirements set forth herein, impose a fine, not to exceed \$5,000, on any [Options] Participant, or person associated with or employed by an [Options] Participant, with respect to any Rule violation listed in paragraph (d) and (e) of this Rule. Any fine imposed pursuant to this Rule that (i) does not exceed \$2,500 and (ii) is not contested, shall be reported on a periodic basis, except as may otherwise be required by Rule 19d-1 under the Exchange Act or by any other regulatory authority. The Exchange will proceed under this Rule only for violations that are minor in nature. Any other violation will be addressed pursuant to Rule 12030 or 12040.

(b) *Notice.* Any person against whom a fine is imposed under this Rule (the "Subject") shall be served with a written statement setting forth (i) the Rule(s) allegedly violated; (ii) the act or omission constituting each such violation; (iii) the fine imposed for each violation; and (iv) the date by which such determination becomes final and such fine must be paid or contested as provided below, which date shall be not less than 25 calendar days after the date of service of such written statement.

(c) *Review.* A Subject may contest the Exchange's determination by filing with the Office of the Secretary of the Exchange a written answer as provided in Rule 12050 on or before the date such fine must be paid.

(1) Upon the receipt of an answer by the Exchange the matter becomes subject to review by the Hearing Committee, or a subcommittee thereof consisting of at least three (3) members of the Hearing Committee.

(2) The answer must include a request for a hearing, if a hearing is desired. Formal rules of evidence shall not apply to hearings conducted by the Hearing Committee under this Rule. The Hearing Committee shall determine the time and place of the hearing and make all determinations with regard to procedural or evidentiary matters, as well as prescribe the time within which all documents or written materials must be submitted. The regulatory staff and the Subject may present

evidence and produce witnesses who shall testify under oath and are subject to being questioned by the Hearing Committee and the other party. No [Options] Participant or person associated with an [Options] Participant shall refuse to furnish relevant testimony, documentary materials or other information requested by the Hearing Committee during the course of the hearing. The Subject is entitled to be represented by counsel who may participate fully in the hearing.

- (3) If a hearing is not requested, the review will be based on written submissions and will be conducted in a manner to be determined by the Hearing Committee.
- (4) If, after a hearing or review based on written submissions, the Hearing Committee determines that the Subject is guilty of the rule violation(s) alleged, the Committee may impose any one or more of the disciplinary sanctions authorized by the Exchange's By-Laws and Rules. Unless the sole disciplinary sanction imposed by the Committee for such rule violation(s) is a fine that is less than the total fine initially imposed by the Exchange for the subject violation(s), the person charged shall pay a forum fee in the amount of \$100 if the determination was reached without a hearing and \$300 if a hearing was conducted.
- (5) The regulatory staff, the Subject or the Board on its own motion may require a review by the Board of any determination by the Hearing Committee under this Rule by proceeding in the manner described in Rule 12100.
- (6) In the event that a fine imposed pursuant to this Rule is subsequently upheld by the Hearing Committee or, if applicable, on appeal to the Board, such fine, plus all interest that has accrued thereon since the fine was due and any forum fee imposed pursuant to subparagraph (4) above, shall be immediately payable.

(d) through (e) No Change.

(f) *Transactions on BSTX*. Rules and penalties relating to trading on BSTX that are set forth in Rule 24010 (Penalty for Minor Rule Violations).