

**Blue Ocean ATS, LLC (BOATS)
Alternative Trading System (ATS)**

TRADING RULES

Blue Ocean ATS: Trading Rules

Overview of the Blue Ocean ATS

Blue Ocean ATS, LLC a registered broker-dealer and a member of FINRA and SIPC (“BOATS”) operates an alternative trading system (the “ATS”), which is an electronic system for crossing orders in National Market System (NMS) stocks. The ATS is only available to registered broker-dealer subscribers (“Subscribers”)¹. The ATS operates after regular U.S. trading hours from 8 pm EST – 4 am EST (the “Overnight” or “Blue Ocean Session”). These trading rules only apply to trading on the ATS during the hours specified.

The ATS does not route any orders to any other order fulfillment point, such as stock exchanges, market makers, electronic communication networks (ECNs) and other alternative trading systems (each, a “Market Center”).

Blue Ocean ATS does not function as a custodian or depository, and therefore Blue Ocean ATS does not hold or safeguard Subscriber funds or securities.

1 SUBSCRIBERS TO THE ATS

Any Subscriber to the ATS must be a broker-dealer registered with the U.S. Securities and Exchange Commission (“SEC”) and a member in good standing with a self-regulatory organization (SRO). All Subscribers must sign a subscriber agreement to access the ATS.

In addition to the above, each Subscriber to the ATS is required to also meet the following criteria:

It can clear or accept clearing of securities through Velox Clearing LLC, NSSC No. 3856. It has executed or will execute appropriate “give-up” agreements to establish an “on behalf of” reporting relationship (e.g., an executed Uniform Trade Reporting Facility Service Bureau/Executing Broker Agreement or Nasdaq AGU/Attachment 2 Agreement).

It can satisfy such technical or systems requirements as may be prescribed by Blue Ocean ATS, including but not limited to connectivity certification, the ability to send orders and cancellations, and to receive trades, cancellations, rejects and trade breaks from the ATS.

It has completed that ATS’s onboarding process.

Blue Ocean ATS, in its sole discretion, may suspend or terminate any Subscriber’s access to the ATS. Any suspension or termination of a Subscriber will also suspend or terminate any of that Subscriber’s Sponsored Access clients. Furthermore, Blue Ocean ATS also may, at its sole discretion, terminate any Subscriber’s access to the ATS if the Subscriber (i) fails to adhere to these

¹ A Subscriber may provide “Sponsored Access” clients (i.e. a structure where a Subscriber is identified on the order and the trade is transferred to the Subscriber’s client in the clearing process) with access to the ATS. Orders entered under a sponsored access structure appear as Subscriber orders to the ATS.

trading rules or acts fraudulently in connection with its access to or usage of the ATS; (ii) provides any information to Blue Ocean ATS that is false or misleading in any material respect or makes any material misrepresentation; or (iii) in the reasonable judgment of Blue Ocean ATS, compromises or potentially compromises the integrity, security or normal operation of the ATS. Blue Ocean ATS shall provide written notice to Subscriber of any termination as soon as practicable after such termination.

Notwithstanding the foregoing, Blue Ocean ATS will not unreasonably prohibit or limit access to the ATS by applying the standards established under paragraph (b)(5)(ii)(A) of Regulation ATS in an unfair or discriminatory manner.

2 SECURITIES TRADED ON THE ATS DURING THE BLUE OCEAN SESSION

The ATS is authorized to trade any equity security registered under Section 12(a) of the Exchange Act that satisfies the definition of an “NMS Stock,” as that term is used in SEC Regulation NMS (“Regulation NMS”).

The ATS may disable trading in a given security from time-to-time and for various reasons or for no reason. For example, if trading in a security has been halted by an exchange or by order of the SEC, the ATS will not trade that security in its immediately ensuing trading session.

In its sole discretion and for any or no reason, Blue Ocean ATS may suspend trading for all securities after regular U.S. trading hours. Blue Ocean ATS shall use reasonable effort to notify Subscribers of any decision to suspend trading.

3 THE MANNER OF OPERATION OF THE ATS DURING THE BLUE OCEAN SESSION

3.1 BLUE OCEAN SESSION HOURS OF OPERATION

The ATS' days of operation are dependent on the availability of the NYSE Trade Reporting Facility (“TRF”) to report trades executed on the ATS. Subscribers may submit orders to the ATS beginning at 6:15 p.m. ET on the days of operation of the ATS. Matching in securities on the ATS occurs from 8:00 p.m. ET to 4:00 a.m. if the TRF is open for trade reporting on that following day. For example, the ATS will operate from Sunday evening at 8:00 p.m.ET until 4:00 a.m. ET on Monday, and trades executed during that session will be reported to the TRF before 8:15 a.m. ET on that Monday. However, the ATS will not conduct a trading session beginning at 8:00 p.m. ET on Friday, because the TRF is not available for the reporting of trades on Saturday. Likewise, there will be no trading session on Christmas Eve because the TRF is not open on Christmas, but there could be an overnight trading session beginning on Christmas night if the TRF is open and available for trade reporting on the following day.

3.2 ORDER TYPES:

The ATS accepts only Limit Day orders. Consequently, the only time-in-force instruction accepted by the ATS is “Day,” and ATS does not accept IOC orders. Similarly, the ATS does not accept market orders or pegged orders. The ATS permits short sale orders, which are treated the same as other sell orders, subject to the order marking requirements of Regulation SHO under the Exchange Act.

3.3 MARKET DATA:

Blue Ocean ATS offers data feeds of Market Data regarding orders submitted to, and executions occurring on, the ATS. “Market Data” means Transaction Data and Order Data with respect to the securities that trade on the ATS. “Transaction Data” for securities executed on the ATS includes the following for each such security: last print, which includes the transaction size and execution price; total daily trading volume; previous closing price; change in value from the last close (both as a percentage and nominal number); opening price; high price; low price; and, with respect to each transaction executed on the ATS, each Subscriber that is a party to the transaction. “Order Data” for orders to purchase or sell a security that Subscribers submit to the Blue Ocean ATS is composed of the aggregate then-best bid and offer with size (top-of-book), all other bids and offers, with size (depth-of-book) for that security and the identity of the Subscriber posting the bid and/or offer. Blue Ocean ATS may from time to time determine to include additional data as Market Data.

Blue Ocean ATS provides the real-time Market Data feeds to non-Subscribers and other third parties, including, but not limited to, sponsored access clients and market data vendors that redistribute the data, through direct market data feeds in the same manner as such data is made available to Subscribers. Blue Ocean ATS, LLC, in sole discretion, may place restrictions on the retransmission of data on a case by case basis.

3.4 PROCEDURES GOVERNING THE ENTRY OF ORDERS INTO THE ATS:

The ATS accepts the submission of orders by Subscribers enabled to trade on the ATS, including orders submitted through Sponsored Access. Orders submitted to the ATS use the FIX protocol. Orders will be rejected if they contain instructions or order attributes that are not supported by the ATS, such as an invalid stock symbol or order type. Similarly, orders that violate the ATS’ pre-trade market access controls will be rejected by the ATS. For example, to be accepted by the ATS, orders must satisfy the applicable minimum pricing increments specified in Rule 612 of Regulation NMS.

3.5 BROKER PRIORITY:

Subscribers and their Sponsored Access clients may, but are not required to, choose Broker Priority. “Broker Priority” is a preference whereby the orders of a Subscriber that routes simultaneous buy and sell orders to the ATS are matched against each other, but only if there is not a natural (or pre-existing) order on the ATS book at a better price. The orders of a Subscriber that has not elected Broker Priority and that routes simultaneous buy and sell orders to the ATS are matched against each other, but only if there is not a natural (or pre-existing) order on the ATS book at the same or a better price.

This preference is available to Sponsored Access clients of a Subscriber. [This preference also is available on a configured or per-order basis.] A Subscriber is responsible for communicating its Sponsored Access clients' priority preferences to the ATS.

3.6 REGULATION SHO:

Compliance responsibilities related to properly marking orders and obtaining necessary locates are the obligation of the Subscriber routing an order to the ATS. Trade reports from the ATS will include the Regulation SHO order marking designations that were transmitted to the ATS as applicable. It is a Subscriber's absolute obligation to make and ensure the timely delivery of located securities on a timely basis for clearance and settlement of a short sale transaction.

3.7 MARKET ACCESS CONTROLS:

Blue Ocean ATS subjects orders from Subscribers to relevant market access controls prior to sending the orders to the ATS. These pre-trade credit and risk controls prevent certain orders from reaching the ATS. For instance, these controls will reject Subscriber orders that exceed pre-set credit thresholds or that contain a sub-penny price, among others. The ATS also employs a 15% price band such that orders that are priced at more than 15% away from the reference price for that symbol on the ATS will be rejected by the system. The reference price is (i) the last sale price of the symbol in the Nasdaq or NYSE Arca Post Session as of 7:50 p.m. ET with respect to orders submitted prior to the beginning of trading on the ATS, or (ii) the inside market for that symbol on the ATS during the hours of operation of the ATS.

4 PROCEDURES GOVERNING THE EXECUTION, REPORTING, CLEARANCE AND SETTLEMENT OF TRANSACTIONS EFFECTED THROUGH THE ATS

4.1 PRIORITY:

Orders are prioritized based on the price and time of entry of such orders into the ATS. Once a Limit Day order has been submitted, the ATS will match it with a matching contra order submitted to the ATS, generally on a price/time priority basis, except if the orders are subject to the odd lot, or Broker Priority restrictions, described above. Orders are time-stamped by the ATS upon receipt, as are cancel/replaces.

All orders submitted to the ATS are considered firm orders. Any orders entered into the ATS are actionable and eligible for automatic execution by the system, consistent with the instructions and conditions indicated on the order as submitted by Subscribers of the ATS, at any time until such order is cancelled or is executed in whole or in part. Limit Day orders that are not marketable are held until the order is canceled or until it becomes marketable and is matched with a contra order in the system and executed.

4.2 PRINCIPAL TRADING:

The ATS will handle all the orders from Subscribers without regard to whether an order is designated “Principal” or “Agency”, for the purposes of priority. The ATS, however, will execute all orders received by the ATS on an agency cross basis.

4.3 TRADE EXECUTION:

The ATS operates a fully automated electronic book (“Order Book”) for limit orders to buy or sell securities with a continuous, automated and automatic matching function. During the ATS’ overnight trading session, the System matches orders within the ATS on a price-time priority basis. Broker Priority (described above). Orders submitted to the ATS are time-stamped upon receipt for prioritization purposes and for FINRA’s Order Audit Trail System (“OATS”) reporting purposes. Orders retain their priority after partial fills.

When the ATS operates after the regular market hours of U.S. exchanges (8 pm ET to 4am ET), trades executed on the ATS are not priced according to and do not relate to the NBBO, which is not available during the ATS’ overnight operating hours. Rather, reference prices for trades executed on the ATS are based on best available bid and offer on the ATS at the time of the trade.

Within its price-time priority model, the ATS may employ Broker Priority for orders entered to the ATS by the same broker (provided the broker has requested such priority).

Subscribers that have elected Broker Priority and that route a simultaneous buy and sell order to the ATS are matched against each other, but only if there is not a natural (or pre-existing) order on the ATS book at a better price. Subscribers that have not elected Broker Priority and that route a simultaneous buy and sell order to ATS are matched against each other, but only if there is not a natural (or pre-existing) order on the ATS book at the same or better price. Non-simultaneous buy orders and sell orders submitted to the ATS by these Subscribers and Sponsored Access clients are eligible to match with orders submitted by other Subscribers and Sponsored Access clients according to their terms.

As noted, the ATS accepts only Limit Day orders from Subscribers, and does not employ other price protection or price improvement mechanisms.

During overnight trading hours, the ATS will not be impacted by locked and crossed markets because no other venue is operational, and no other quote is available.

Executions are time-stamped by the system and trades are reported to the NYSE TRF and to OATS in accordance with applicable rule requirements.

All executions are binding on the Subscriber placing the order. Subscribers may cancel their live orders at any time before execution at their discretion. All Limit Day orders on the ATS book are expired and cancelled at the end of the trading session. The ATS does not route orders to any other

Market Center.

4.4 CLEARLY ERRONEOUS TRADES

Subscribers are solely responsible for the accuracy and completeness of all orders submitted to the ATS by them or their Sponsored Access clients, and all transactions executed on the ATS are binding on Subscribers.

In its sole discretion, Blue Ocean ATS may, at the request of a Subscriber or on its own initiative, determine to review any transaction executed on the ATS to assess whether the transaction is clearly erroneous. A transaction is “clearly erroneous” if there is an obvious error in any term, such as price, number of shares or other unit of trading, or identification of the security. Subject to the consideration of additional factors (e.g., system malfunctions or disruptions), where appropriate, a transaction executed on the ATS shall be found to be clearly erroneous if the price of the transaction to buy (sell) that is the subject of the inquiry is greater than (less than) the reference price by 6% for NMS Stocks priced greater than \$50; 10% for NMS Stocks priced greater than \$25 and up to and including \$50; and 20% for NMS Stocks priced greater than \$0 and up to and including \$25. Transactions determined to be clearly erroneous will be reversed from the consolidated tape.

If a Subscriber seeks to have Blue Ocean ATS review a transaction as potentially erroneous, it must notify Blue Ocean ATS within 30 minutes of the execution of the trade on the ATS by email and telephone and must provide to Blue Ocean ATS a written statement regarding the reasons for disputing the trade via email. This written notice must be sent to Blue Ocean ATS Compliance: support@blueoceanats.com. Requests are not considered to be valid until receipt thereof is acknowledged by authorized Blue Ocean ATS support staff. Trades will be investigated promptly and resolved as soon as reasonably practicable. Blue Ocean ATS reserves the right to refuse to file clearly erroneous requests in its sole and absolute discretion.

4.5 REGULATORY REPORTING AND BOOKS AND RECORDS:

The ATS maintains daily summaries of trading and time-sequenced records of order information, including the date and time the order was received, the date, time, and price at which the order was executed, and the identity of the parties to the transaction.

The ATS trades in NMS stocks are reported to the trade report facility (TRF), as noted, and printed with Blue Ocean ATS’ Market Participant Identifier (BLUE), as executing broker.

Reporting on OATS is effected through Blue Ocean ATS’ automated systems. OATS reports are generated and downloaded to FINRA / OATS via FTP files.

The books and records of the activity of the ATS will be created and maintained by Blue Ocean ATS in compliance with Regulation ATS and Rules 17a-3 and 17a-4 of the Exchange Act.

4.6 PROTECTION OF CONFIDENTIAL TRADING INFORMATION:

All Subscribers expressly agree that, as a condition of accessing the ATS, that Market Data will be made available to Subscribers through direct market data feeds.

4.7 BLUE OCEAN SESSION CLEARANCE AND SETTLEMENT:

As described above, all Subscribers must be able to clear or accept clearing of securities through Velox Clearing LLC, NSCC # 3856, Blue Ocean ATS' clearing firm. In addition, all Subscribers are required to have executed appropriate "give-up" agreements to establish an "on behalf of" reporting relationship (e.g., an executed Uniform Trade Reporting Facility Service Bureau/ Executing Broker Agreement or Nasdaq AGU/Attachment 2 Agreement).

Blue Ocean ATS delivers a file of trades on the ATS during its trading session to Velox Clearing, and Velox Clearing, as a participant in The Depository Trust Company ("DTC"), submits trade records to DTC for clearance and settlement. Settlement of trades executed on the ATS currently take place through the continuous net settlement system operated by DTC and generally settle on the second day following the day on which the purchase and sale commitments are made (or T+2).

5 PROCEDURES FOR ENSURING SUBSCRIBER COMPLIANCE WITH SYSTEM GUIDELINES

Subscriber agreement provisions require Subscribers to comply with all applicable rules and regulations as a condition for using the ATS.

The order entry and order execution functionalities of the ATS will be configured to facilitate automated compliance with applicable rules and regulations as required.

Because all trading of NMS Stocks on the ATS take place after regular trading hours, trades executed on the ATS will not be subject to most of the provisions of Regulation NMS.

As described above, the ATS employs market access controls pursuant to Exchange Act Rule 15c3-5.

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