

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="22"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2012"/> - * <input type="text" value="03"/> Amendment No. (req. for Amendments *) <input type="text"/>
Proposed Rule Change by NYSE Amex LLC Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934		
Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>
Section 19(b)(2) * <input type="checkbox"/>		Section 19(b)(3)(A) * <input checked="" type="checkbox"/>
Section 19(b)(3)(B) * <input type="checkbox"/>		Section 19(b)(3)(B) * <input type="checkbox"/>
Rule		
Pilot <input type="checkbox"/>		<input type="checkbox"/> 19b-4(f)(1) <input type="checkbox"/> 19b-4(f)(4)
Extension of Time Period for Commission Action * <input type="text"/>		<input type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(5)
Date Expires * <input type="text"/>		<input type="checkbox"/> 19b-4(f)(3) <input checked="" type="checkbox"/> 19b-4(f)(6)
Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>	
<b>Description</b> Provide a brief description of the proposed rule change (limit 250 characters, required when Initial is checked *). <input type="text" value="Proposal to add new Commentary 02 to NYSE Amex Options Rule 964NY to provide for Self-Trade Prevention on the Exchange"/>		
<b>Contact Information</b> 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 proposed rule change. First Name * <input type="text" value="Joseph"/> Last Name * <input type="text" value="Corcoran"/> Title * <input type="text" value="Chief Counsel NYSE Regulation Inc"/> E-mail * <input type="text" value="jcorcoran@nyx.com"/> Telephone * <input type="text" value="(202) 661-8955"/> Fax <input type="text" value="(202) 347-4372"/>		
<b>Signature</b> 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 officer. Date <input type="text" value="01/30/2012"/> By <input type="text" value="Janet McGinness"/> Corporate Secretary (Name *) <input type="text"/> (Title *) <input type="text"/>  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. <input type="button" value="NYX Janet McGinness,"/>		

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information (required)**

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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 (required)**

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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 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.

1. Text of Proposed Rule Change

- (a) NYSE Amex LLC (“NYSE Amex” or the “Exchange”) proposes to add new Commentary .02 to NYSE Amex Options Rule 964NY (Display, Priority and Order Allocation - Trading Systems) to provide for “Self-Trade Prevention” on the Exchange. The text of the proposed rule change is attached hereto as Exhibit 5 and is available on the Exchange’s website at [www.nyse.com](http://www.nyse.com), at the Exchange’s principal office and at the Public Reference Room of the Securities and Exchange Commission (“Commission”).
- (b) The Exchange does not believe that the proposed rule change will have any direct effect, or any significant indirect effect, on any other Exchange rule in effect at the time of this filing.
- (c) Not applicable.

2. Procedures of the Self-Regulatory Organization

Senior management has approved the proposed rule change pursuant to authority delegated to it by the Board of the Exchange. No further action is required under the Exchange’s governing documents. Therefore, the Exchange’s internal procedures with respect to the proposed rule change are complete.

The persons on the Exchange staff prepared to respond to questions and comments on the proposed rule change are:

Joseph Corcoran  
Chief Counsel  
NYSE Regulation, Inc.  
(202) 661-8955

Glenn Gsell  
Managing Director  
NYSE Regulation, Inc.  
(415) 835-4805

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

(a) Purpose

The Exchange proposes to add new Commentary .02 to NYSE Amex Options Rule 964NY (Display, Priority and Order Allocation - Trading Systems) to provide for “Self-Trade Prevention” on the Exchange.<sup>1</sup> As proposed, the Exchange would cancel any resting Market Maker quote(s) and order(s)<sup>2</sup> to buy

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<sup>1</sup> Self-Trade Prevention would only be applicable to electronic trading on the Exchange.

<sup>2</sup> The Exchange will specify from time to time via a Regulatory Information Bulletin the Market Maker trading interest (i.e., quotes and orders) to which Self-

(sell) that are priced equal to or higher (lower) than an incoming Market Maker quote, order or both to sell (buy) entered under the same trading permit identification.<sup>3</sup> The following examples illustrate how Self-Trade Prevention would function:

**Example 1**

- The National Best Bid and Offer (“NBBO”) for a particular option series is \$1.15 (bid) – \$1.20 (offer);
- The Exchange Best Bid and Offer (“BBO”) is \$1.15 (bid) – \$1.25 (offer);
- A Market Maker has a single resting PNP Order to buy on the Exchange’s Consolidated Book with a price of \$1.15;
- If the Market Maker submits a PNP Order to sell with a price of \$1.15, the NYSE Amex System would cancel the Market Maker’s resting PNP Order to buy with a price of \$1.15.<sup>4</sup>

Trade Prevention will apply. Currently, the Exchange plans to initially apply Self-Trade Prevention to the following order types used by Market Makers: “PNP Orders” and “PNP-Blind Orders.” PNP Orders and PNP-Blind Orders are defined in NYSE Amex Options Rule 900.3NY, and each is a type of non-routable Limit Order that is only executed on the Exchange. The Exchange notes that Market Makers primarily use these order types, as opposed to other order types offered by the Exchange, because they are similar to quotes (i.e., they are non-routable Limit Orders). The Exchange currently plans to expand Self-Trade Prevention to other Market Maker trading interest (e.g., quotes) when certain technology changes have been completed, and would announce any such expansion through a Regulatory Information Bulletin under this proposed rule change pursuant to Commentary .02 of NYSE Amex Options Rule 964NY. In the future, the Exchange may expand Self-Trade Prevention to other orders used by Market Makers (including routable orders), and it also would announce any such changes through a Regulatory Information Bulletin under this proposed rule change pursuant to Commentary .02 of NYSE Amex Options Rule 964NY. The Exchange would submit a separate proposed rule change if it were to make Self-Trade Prevention available to non-Market Maker trading interest.

<sup>3</sup> The Exchange would use a Market Maker’s trading permit identification (“TPID”) to monitor for self-trades in the proposed Self-Trade Prevention functionality. TPIDs are assigned to Market Makers, as well as other ATP Holders, to identify them in the Exchange’s systems. Market Makers on the Exchange are not able to submit orders on an agency basis. Thus, a Market Maker within a firm that conducts both an agency and market making business would have a unique TPID that could only be used for that Market Maker’s quotes and orders.

<sup>4</sup> Example 1 illustrates that Self-Trade Prevention would result in the cancellation of the Market Maker’s resting order (or quote) to buy regardless of whether the incoming order (or quote) and the resting order (or quote) would actually execute

**Example 2**

- The NBBO and BBO are the same as in Example 1;
- A Market Maker has two separate resting PNP Orders to buy on the Exchange's Consolidated Book, with prices of \$1.15 and \$1.13, respectively;
- If the Market Maker submits a PNP Order to sell with a price of \$1.14, the NYSE Amex System would cancel the Market Maker's resting PNP Order to buy with a price of \$1.15, but would not cancel the Market Maker's resting PNP Order to buy with a price of \$1.13.<sup>5</sup>

As proposed, Self-Trade Prevention would be in effect throughout the trading day for all Market Makers on the Exchange,<sup>6</sup> but not during Trading Auctions.<sup>7</sup> In this regard, the Exchange believes that it is highly unlikely that a Market Maker would trade against its own resting interest during a Trading Auction. Moreover, the Exchange notes that it would be difficult to implement this functionality from a technological and operational perspective because it would require the Exchange to cancel resting, executable Market Maker trading interest as it is calculating the price at which to conduct the Trading Auction. For these reasons, the Exchange is not applying Self-Trade Prevention to Trading Auctions.

The Exchange also proposes that Self-Trade Prevention would not be applicable to individual legs of Complex Orders.<sup>8</sup> In this regard, senders of Complex Orders, including Market Makers, view them as discrete orders, serving a particular investment purpose, that are contingent on all of the legs of the Complex Order being executed. Thus, they are only interested in having all of the legs of a Complex Order executed. Because the non-execution of one leg of a Complex Order is contrary to the investment purpose of the Complex Order, the Exchange has determined to not apply Self-Trade Prevention in a manner that would prevent a Complex Order sent by a Market Maker from executing against that Market Maker's resting interest in the leg markets.

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against each other.

<sup>5</sup> Example 2 illustrates that Self-Trade Prevention would not result in the cancellation of the Market Maker's resting order (or quote) to buy with a price of \$1.13 because the price of the resting order (or quote) to buy is lower than the price of the incoming order (or quote) to sell.

<sup>6</sup> Market Makers on the Exchange would not have the ability to deactivate Self-Trade Prevention or change any settings related to it.

<sup>7</sup> *See, e.g.*, NYSE Amex Options Rule 952NY.

<sup>8</sup> *See* NYSE Amex Options Rule 900.3NY(e), which defines Complex Order. *See also* NYSE Amex Options Rule 980NY, which describes electronic Complex Order trading.

The Exchange notes that Self-Trade Prevention would not relieve or modify a Market Maker's obligations under the Exchange's Rules, such as the Market Maker's quoting obligations, or any other rules and regulations to which the Market Maker is subject.

The Exchange believes that the proposed Self-Trade Prevention is very similar to functionality currently offered by the Nasdaq Options Market ("NOM"). In particular, NOM provides market makers on its market with an "anti-internalization" functionality, whereby quotes and orders entered by NOM market makers using the same market participant identifier will not be executed against quotes and orders entered on the opposite side of the market by the same market maker using the same identifier, but instead the NOM system will cancel the oldest of the quotes or orders back to the entering party prior to execution.<sup>9</sup> Similarly, the Chicago Board Options Exchange ("CBOE") provides for a market-maker trade prevention order, which is a market maker immediate-or-cancel order that, if it would trade against a resting quote or order for the same market-maker, is cancelled along with the resting quote or order.<sup>10</sup> Additionally, NYSE Arca Equities provides for a self trade prevention order modifier that prevents orders so designated from executing against resting opposite side orders entered under the same equity trading permit identification that are also designated with the modifier.<sup>11</sup> The change proposed herein would therefore provide Market Makers with a method of managing their trading interest that is similar to functionalities that are currently available on other markets.

Because of the technology changes associated with this proposed rule change, the Exchange proposes to announce the implementation date of Self-Trade Prevention on the Exchange via a Regulatory Information Bulletin. This Bulletin also would include the Market Maker trading interest to which Self-Trade Prevention initially would apply.<sup>12</sup>

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<sup>9</sup> See Chapter VI, Section 10(6) of the NOM Rules.

<sup>10</sup> See CBOE Rule 6.53(c)(v).

<sup>11</sup> See NYSE Arca Equities Rule 7.31(qq). Similar to the Self-Trade Prevention functionality proposed in this filing, the NYSE Arca Equities Self Trade Prevention modifier is not in effect during auctions.

<sup>12</sup> See *supra* note 2. As mentioned above, the Exchange notes that any such announcements regarding Self-Trade Prevention would not be for the purpose of, or permit the Exchange to, expand the applicability of Self-Trade Prevention beyond Market Maker trading interest. Any such expansion would be the subject of a separate proposed rule change submitted by the Exchange to the Commission. The Exchange further notes that the Commission has previously permitted other option exchanges to communicate settings or eligibility for various exchange mechanisms to their members through exchange notices, bulletins or circulars. See, e.g., Interpretation and Policy .05 to CBOE Rule

(b) Statutory Basis

As discussed above, the Exchange believes that the proposed rule change is designed to promote just and equitable principles of trade because it would provide Market Makers with a functionality to manage their trading interest that is similar to functionalities currently available on other markets.<sup>13</sup> Additionally, the Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices, to remove impediments to, and perfect the mechanisms of, a free and open market and a national market system and, in general, to protect investors and the public interest, because it would allow Market Makers to better manage their trading interest and provide a means to prevent executions against their own trading interest. The Exchange notes that Market Makers have asked for this functionality to prevent them from inadvertently trading with their own interest. In such a situation, the firms ask the Exchange to nullify the trades, which they are permitted to do under the Exchange's rules because they are on both sides of the trades.<sup>14</sup> While the proposed Self-Trade Prevention functionality would prevent inadvertent self-trading, the Exchange notes that the functionality would also prevent intentional self-trading. In this regard, the proposed rule change provides a means to prevent manipulative conduct such as "wash trading."

Presently, the Exchange is proposing that Self-Trade Prevention be applicable only for Market Makers. The Exchange has made this decision because Market Makers are the most likely market participants to execute against their own trading interest. The Exchange may propose to expand the Self-Trade Prevention functionality to other ATP Holders in the future, subject to being in a position to implement the functionality in a manner consistent with a firm's agency responsibilities to its customer orders. Accordingly, the Exchange believes that the proposed rule change is not designed to permit unfair discrimination.

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6.74A, which provides that any determinations made by CBOE regarding CBOE's Automated Improvement Mechanism, such as eligible classes, order size parameters and the minimum price increment for certain responses, shall be communicated in a Regulatory Circular. *See also* CBOE Rules 6.45A and 6.45B, which provide that CBOE will issue a Regulatory Circular to specify certain priority-related information, including specifying which priority rules will govern which classes of options any time the exchange changes the priority.

<sup>13</sup> *See supra* notes 9, 10 and 11.

<sup>14</sup> Under Commentary .02 to NYSE Amex Options Rule 965NY, a "trade may be nullified if all parties to the trade agree to the nullification," and when "all parties to a trade have agreed to a trade nullification, one party must promptly notify the Exchange for dissemination of cancellation information to the Options Price Reporting Authority."

For the reasons set forth above, the Exchange believes that the proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the “Act”),<sup>15</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>16</sup> in particular.

4. Self-Regulatory Organization’s Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

5. 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 written comments on the proposed rule change.

6. Extension of Time Period for Commission Action

Not applicable.

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

The proposed rule change is effective upon filing pursuant to Section 19(b)(3)(A) of the Act<sup>17</sup> and Rule 19b-4(f)(6) thereunder.<sup>18</sup>

The Exchange asserts that the proposed rule change (i) will not significantly affect the protection of investors or the public interest, (ii) will not impose any significant burden on competition, and (iii) by its terms, will not become operative for 30 days after the date of this filing, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest. Additionally, the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of the filing, or such shorter time as designated by the Commission.

The Exchange believes that the proposed rule change will not significantly affect the protection of investors or the public interest because it would allow Market Makers to better manage their trading interest and provide a means to prevent

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<sup>15</sup> 15 U.S.C. 78f(b).

<sup>16</sup> 15 U.S.C. 78f(b)(5).

<sup>17</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>18</sup> 17 CFR 240.19b-4(f)(6).

executions against their own trading interest. Specifically, the proposed Self-Trade Prevention functionality would prevent inadvertent self-trading by Market Makers. The Exchange notes that the functionality would also prevent intentional self-trading. In this regard, the proposed rule provides a means to prevent manipulative conduct such as “wash trading.” The Exchange also believes that the proposed rule change will not impose any significant burden on competition, but would instead provide Market Makers with a functionality to manage their trading interest that is similar to functionalities currently available on other markets.<sup>19</sup>

The Exchange believes that the proposed rule change would allow Market Makers to better manage their trading interest and provide a means to prevent executions against their own trading interest. The Exchange therefore respectfully requests a waiver of the 30-day operative delay. Such a waiver would permit the Exchange to implement the proposed rule change and the benefits it would provide to Market Makers, specifically, and investors, generally, without undue delay. Additionally, because the proposed rule change would provide Market Makers with a functionality to manage their trading interest that is similar to functionalities currently available on other markets,<sup>20</sup> the Exchange believes that the proposed change does not raise any new, unique or substantive issues or concerns that have not already been subject to notice and comment by the public or the Exchange’s competitors and therefore that the 30-day operative delay would unnecessarily delay its implementation. Waiver of the operative delay would also enable the Exchange to implement Self-Trade Prevention as part of a planned technology release and consistent with the desires of Market Makers who have requested the functionality.

For the foregoing reasons, this rule filing qualifies for immediate effectiveness as a “non-controversial” rule change under paragraph (f)(6) of Rule 19b-4.<sup>21</sup> At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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

As discussed above, the proposed rule change is based on Chapter VI, Section 10(6) of the NOM Rules, as well as CBOE Rule 6.53(c)(v) and NYSE Arca Equities Rule 7.31(qq). In this regard, the Exchange believes that the proposed Self-Trade Prevention is very similar to functionality currently offered by NOM.

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<sup>19</sup> See *supra* notes 9, 10 and 11.

<sup>20</sup> *Id.*

<sup>21</sup> 17 CFR 240.19b-4(f)(6).

In particular, NOM provides market makers on its market with an “anti-internalization” functionality, whereby quotes and orders entered by NOM market makers using the same market participant identifier will not be executed against quotes and orders entered on the opposite side of the market by the same market maker using the same identifier, but instead the NOM system will cancel the oldest of the quotes or orders back to the entering party prior to execution. The Exchange notes, however, that the NOM rule filing to adopt its “anti-internalization” functionality did not address whether that functionality applies to Trading Auctions or individual legs of Complex Orders.<sup>22</sup> Similarly, CBOE provides for a market-maker trade prevention order, which is a market maker immediate-or-cancel order that, if it would trade against a resting quote or order for the same market-maker, is cancelled along with the resting quote or order. In addition, NYSE Arca Equities provides for a self trade prevention order modifier that prevents orders so designated from executing against resting opposite side orders entered under the same equity trading permit identification that are also designated with the modifier. While these are order types as opposed to the functionality proposed by the Exchange, the Exchange believes that both methods provide a means for market makers to avoid trading with their own interest.

9. Exhibits

Exhibit 1 – Form of Notice of Proposed Rule Change for Publication in the Federal Register

Exhibit 5 – Text of the Proposed Change

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<sup>22</sup> See Securities Exchange Act Release No. 64696 (June 17, 2011), 76 FR 36950 (June 23, 2011) (SR-NASDAQ-2011-083).

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-NYSEAMEX-2012-03)

[Date]

Self-Regulatory Organizations; NYSE Amex LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Adding new Commentary .02 to NYSE Amex Options Rule 964NY to Provide for “Self-Trade Prevention” on the Exchange

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the “Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that on January 30, 2012, NYSE Amex LLC (the “Exchange” or “NYSE Amex”) filed with the Securities and Exchange Commission (the “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 change from interested persons.

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

The Exchange proposes to add new Commentary .02 to NYSE Amex Options Rule 964NY (Display, Priority and Order Allocation - Trading Systems) to provide for “Self-Trade Prevention” on the Exchange. The text of the proposed rule change is available at the Exchange, the Commission’s Public Reference Room, and [www.nyse.com](http://www.nyse.com).

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<sup>1</sup> 15 U.S.C.78s(b)(1).

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

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 any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

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

1. Purpose

The Exchange proposes to add new Commentary .02 to NYSE Amex Options Rule 964NY (Display, Priority and Order Allocation - Trading Systems) to provide for “Self-Trade Prevention” on the Exchange.<sup>4</sup> As proposed, the Exchange would cancel any resting Market Maker quote(s) and order(s)<sup>5</sup> to buy (sell) that are priced equal to or

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<sup>4</sup> Self-Trade Prevention would only be applicable to electronic trading on the Exchange.

<sup>5</sup> The Exchange will specify from time to time via a Regulatory Information Bulletin the Market Maker trading interest (i.e., quotes and orders) to which Self-Trade Prevention will apply. Currently, the Exchange plans to initially apply Self-Trade Prevention to the following order types used by Market Makers: “PNP Orders” and “PNP-Blind Orders.” PNP Orders and PNP-Blind Orders are defined in NYSE Amex Options Rule 900.3NY, and each is a type of non-routable Limit Order that is only executed on the Exchange. The Exchange notes that Market Makers primarily use these order types, as opposed to other order types offered by the Exchange, because they are similar to quotes (i.e., they are non-routable Limit Orders). The Exchange currently plans to expand Self-Trade Prevention to other Market Maker trading interest (e.g., quotes) when certain technology changes have been completed, and would announce any such expansion through a Regulatory Information Bulletin under this proposed rule change pursuant to Commentary .02 of NYSE Amex Options Rule 964NY. In the future, the Exchange may expand Self-Trade Prevention to other orders used by Market

higher (lower) than an incoming Market Maker quote, order or both to sell (buy) entered under the same trading permit identification.<sup>6</sup> The following examples illustrate how Self-Trade Prevention would function:

**Example 1**

- The National Best Bid and Offer (“NBBO”) for a particular option series is \$1.15 (bid) – \$1.20 (offer);
- The Exchange Best Bid and Offer (“BBO”) is \$1.15 (bid) – \$1.25 (offer);
- A Market Maker has a single resting PNP Order to buy on the Exchange’s Consolidated Book with a price of \$1.15;
- If the Market Maker submits a PNP Order to sell with a price of \$1.15, the NYSE Amex System would cancel the Market Maker’s resting PNP Order to buy with a price of \$1.15.<sup>7</sup>

**Example 2**

- The NBBO and BBO are the same as in Example 1;
- A Market Maker has two separate resting PNP Orders to buy on the Exchange’s Consolidated Book, with prices of \$1.15 and \$1.13, respectively;

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Makers (including routable orders), and it also would announce any such changes through a Regulatory Information Bulletin under this proposed rule change pursuant to Commentary .02 of NYSE Amex Options Rule 964NY. The Exchange would submit a separate proposed rule change if it were to make Self-Trade Prevention available to non-Market Maker trading interest.

<sup>6</sup> The Exchange would use a Market Maker’s trading permit identification (“TPID”) to monitor for self-trades in the proposed Self-Trade Prevention functionality. TPIDs are assigned to Market Makers, as well as other ATP Holders, to identify them in the Exchange’s systems. Market Makers on the Exchange are not able to submit orders on an agency basis. Thus, a Market Maker within a firm that conducts both an agency and market making business would have a unique TPID that could only be used for that Market Maker’s quotes and orders.

<sup>7</sup> Example 1 illustrates that Self-Trade Prevention would result in the cancellation of the Market Maker’s resting order (or quote) to buy regardless of whether the incoming order (or quote) and the resting order (or quote) would actually execute against each other.

- If the Market Maker submits a PNP Order to sell with a price of \$1.14, the NYSE Amex System would cancel the Market Maker's resting PNP Order to buy with a price of \$1.15, but would not cancel the Market Maker's resting PNP Order to buy with a price of \$1.13.<sup>8</sup>

As proposed, Self-Trade Prevention would be in effect throughout the trading day for all Market Makers on the Exchange,<sup>9</sup> but not during Trading Auctions.<sup>10</sup> In this regard, the Exchange believes that it is highly unlikely that a Market Maker would trade against its own resting interest during a Trading Auction. Moreover, the Exchange notes that it would be difficult to implement this functionality from a technological and operational perspective because it would require the Exchange to cancel resting, executable Market Maker trading interest as it is calculating the price at which to conduct the Trading Auction. For these reasons, the Exchange is not applying Self-Trade Prevention to Trading Auctions.

The Exchange also proposes that Self-Trade Prevention would not be applicable to individual legs of Complex Orders.<sup>11</sup> In this regard, senders of Complex Orders, including Market Makers, view them as discrete orders, serving a particular investment purpose, that are contingent on all of the legs of the Complex Order being executed. Thus, they are only interested in having all of the legs of a Complex Order executed.

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<sup>8</sup> Example 2 illustrates that Self-Trade Prevention would not result in the cancellation of the Market Maker's resting order (or quote) to buy with a price of \$1.13 because the price of the resting order (or quote) to buy is lower than the price of the incoming order (or quote) to sell.

<sup>9</sup> Market Makers on the Exchange would not have the ability to deactivate Self-Trade Prevention or change any settings related to it.

<sup>10</sup> *See, e.g.*, NYSE Amex Options Rule 952NY.

<sup>11</sup> *See* NYSE Amex Options Rule 900.3NY(e), which defines Complex Order. *See also* NYSE Amex Options Rule 980NY, which describes electronic Complex Order trading.

Because the non-execution of one leg of a Complex Order is contrary to the investment purpose of the Complex Order, the Exchange has determined to not apply Self-Trade Prevention in a manner that would prevent a Complex Order sent by a Market Maker from executing against that Market Maker's resting interest in the leg markets.

The Exchange notes that Self-Trade Prevention would not relieve or modify a Market Maker's obligations under the Exchange's Rules, such as the Market Maker's quoting obligations, or any other rules and regulations to which the Market Maker is subject.

The Exchange believes that the proposed Self-Trade Prevention is very similar to functionality currently offered by the Nasdaq Options Market ("NOM"). In particular, NOM provides market makers on its market with an "anti-internalization" functionality, whereby quotes and orders entered by NOM market makers using the same market participant identifier will not be executed against quotes and orders entered on the opposite side of the market by the same market maker using the same identifier, but instead the NOM system will cancel the oldest of the quotes or orders back to the entering party prior to execution.<sup>12</sup> Similarly, the Chicago Board Options Exchange ("CBOE") provides for a market-maker trade prevention order, which is a market maker immediate-or-cancel order that, if it would trade against a resting quote or order for the same market-maker, is cancelled along with the resting quote or order.<sup>13</sup> Additionally, NYSE Arca Equities provides for a self trade prevention order modifier that prevents orders so designated from executing against resting opposite side orders entered under the

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<sup>12</sup> See Chapter VI, Section 10(6) of the NOM Rules.

<sup>13</sup> See CBOE Rule 6.53(c)(v).

same equity trading permit identification that are also designated with the modifier.<sup>14</sup>

The change proposed herein would therefore provide Market Makers with a method of managing their trading interest that is similar to functionalities that are currently available on other markets.

Because of the technology changes associated with this proposed rule change, the Exchange proposes to announce the implementation date of Self-Trade Prevention on the Exchange via a Regulatory Information Bulletin. This Bulletin also would include the Market Maker trading interest to which Self-Trade Prevention initially would apply.<sup>15</sup>

## 2. Statutory Basis

As discussed above, the Exchange believes that the proposed rule change is designed to promote just and equitable principles of trade because it would provide Market Makers with a functionality to manage their trading interest that is similar to

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<sup>14</sup> See NYSE Arca Equities Rule 7.31(qq). Similar to the Self-Trade Prevention functionality proposed in this filing, the NYSE Arca Equities Self Trade Prevention modifier is not in effect during auctions.

<sup>15</sup> See *supra* note 5. As mentioned above, the Exchange notes that any such announcements regarding Self-Trade Prevention would not be for the purpose of, or permit the Exchange to, expand the applicability of Self-Trade Prevention beyond Market Maker trading interest. Any such expansion would be the subject of a separate proposed rule change submitted by the Exchange to the Commission. The Exchange further notes that the Commission has previously permitted other option exchanges to communicate settings or eligibility for various exchange mechanisms to their members through exchange notices, bulletins or circulars. See, e.g., Interpretation and Policy .05 to CBOE Rule 6.74A, which provides that any determinations made by CBOE regarding CBOE's Automated Improvement Mechanism, such as eligible classes, order size parameters and the minimum price increment for certain responses, shall be communicated in a Regulatory Circular. See also CBOE Rules 6.45A and 6.45B, which provide that CBOE will issue a Regulatory Circular to specify certain priority-related information, including specifying which priority rules will govern which classes of options any time the exchange changes the priority.

functionalities currently available on other markets.<sup>16</sup> Additionally, the Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices, to remove impediments to, and perfect the mechanisms of, a free and open market and a national market system and, in general, to protect investors and the public interest, because it would allow Market Makers to better manage their trading interest and provide a means to prevent executions against their own trading interest. The Exchange notes that Market Makers have asked for this functionality to prevent them from inadvertently trading with their own interest. In such a situation, the firms ask the Exchange to nullify the trades, which they are permitted to do under the Exchange's rules because they are on both sides of the trades.<sup>17</sup> While the proposed Self-Trade Prevention functionality would prevent inadvertent self-trading, the Exchange notes that the functionality would also prevent intentional self-trading. In this regard, the proposed rule change provides a means to prevent manipulative conduct such as "wash trading."

Presently, the Exchange is proposing that Self-Trade Prevention be applicable only for Market Makers. The Exchange has made this decision because Market Makers are the most likely market participants to execute against their own trading interest. The Exchange may propose to expand the Self-Trade Prevention functionality to other ATP Holders in the future, subject to being in a position to implement the functionality in a manner consistent with a firm's agency responsibilities to its customer orders.

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<sup>16</sup> See *supra* notes 12, 13 and 14.

<sup>17</sup> Under Commentary .02 to NYSE Amex Options Rule 965NY, a "trade may be nullified if all parties to the trade agree to the nullification," and when "all parties to a trade have agreed to a trade nullification, one party must promptly notify the Exchange for dissemination of cancellation information to the Options Price Reporting Authority."

Accordingly, the Exchange believes that the proposed rule change is not designed to permit unfair discrimination.

For the reasons set forth above, the Exchange believes that the proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the “Act”),<sup>18</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>19</sup> in particular.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>20</sup> and Rule 19b-4(f)(6) thereunder.<sup>21</sup> Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative prior to 30 days from the date on which it was filed, or such shorter time as the

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<sup>18</sup> 15 U.S.C. 78f(b).

<sup>19</sup> 15 U.S.C. 78f(b)(5).

<sup>20</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>21</sup> 17 CFR 240.19b-4(f)(6).

Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6)(iii) thereunder.

A proposed rule change filed under Rule 19b-4(f)(6)<sup>22</sup> normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),<sup>23</sup> the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing.

At any time within 60 days of the filing of such proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

#### 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](mailto:rule-comments@sec.gov). Please include File Number SR-

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<sup>22</sup> 17 CFR 240.19b-4(f)(6).

<sup>23</sup> 17 CFR 240.19b-4(f)(6)(iii).

NYSEAMEX-2012-03 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-NYSEAMEX-2012-03. 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 inspection and copying in the Commission's Public Reference Section, 100 F Street, NE, Washington, DC 20549-1090. Copies of the filing will also be available for inspection and copying at the NYSE's principal office and on its Internet Web site at [www.nyse.com](http://www.nyse.com). All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEAMEX-2012-03 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>24</sup>

Florence E. Harmon  
Deputy Secretary

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<sup>24</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

New text is underlined;  
Deleted text is in [brackets]

**Rules of NYSE Amex LLC**

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**Section 900NY. Rules Principally Applicable to Trading of Option Contracts**

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**Rule 964NY. Display, Priority and Order Allocation - Trading Systems**

No change.

***Commentary***

.01 No change.

.02 Self-Trade Prevention. The Exchange shall cancel any resting Market Maker quote(s) and order(s) to buy (sell) that are priced equal to or higher (lower) than an incoming Market Maker quote, order or both to sell (buy) entered under the same trading permit identification. The Exchange shall specify from time to time via a Regulatory Information Bulletin the Market Maker trading interest (i.e., quotes and orders) to which Self-Trade Prevention will apply. Self-Trade Prevention shall not be applicable during a Trading Auction or to individual legs of Complex Orders.

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