

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="32"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2012"/> - * <input type="text" value="22"/> 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 checked="" type="checkbox"/>		
Section 19(b)(3)(A) * <input type="checkbox"/>		
Section 19(b)(3)(B) * <input type="checkbox"/>		
Rule		
Pilot <input checked="" type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>
<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)		
Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>	
Description Provide a brief description of the proposed rule change (limit 250 characters, required when Initial is checked *). <input type="text" value="Proposal to amend NYSE Amex Equities Rule 107B to add a class of Supplemental Liquidity Providers that are registered as market makers at the Exchange"/>		
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 proposed rule change. First Name * <input type="text" value="Clare"/> Last Name * <input type="text" value="Saperstein"/> Title * <input type="text" value="Vice President NYSE Regulation Inc"/> E-mail * <input type="text" value="csaperstein@nyx.com"/> Telephone * <input type="text" value="(212) 656-2355"/> Fax <input type="text" value="(212) 656-2223"/>		
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 officer. Date <input type="text" value="04/04/2012"/> By <input type="text" value="Janet McGinness"/> Corporate Secretary (Name *) (Title *) 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 the Proposed Rule Change

- (a) NYSE Amex, LLC (“NYSE Amex” or the “Exchange”) proposes to amend NYSE Amex Equities Rule 107B to add a class of Supplemental Liquidity Providers (“SLP”) that are registered as market makers at 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, at the Exchange’s principal office and at the Public Reference Room of the Securities and Exchange Commission (“SEC” or “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 Directors of the Exchange. No further action by the Board of Directors or the membership of the Exchange is required. 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 changes are:

Clare F. Saperstein
Vice President
NYSE Regulation, Inc.
(212) 656-2355

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

(a) Purpose

The Exchange proposes to amend NYSE Amex Equities Rule 107B (“Rule 107B”), which currently operates on a pilot basis, to add a class of SLPs that are registered as market makers at the Exchange.

Background

Rule 107B, which was adopted as a pilot program in January 2010, established a new class of off-Floor market participants referred to as Supplemental Liquidity

Providers or “SLPs.”¹ Approved Exchange member organizations are eligible to be an SLP. SLPs supplement the liquidity provided by Designated Market Makers (“DMM”). SLPs have monthly quoting requirements that may qualify them to receive SLP rebates, which are larger than the general rebate available to non-SLP market participants.

The goal of the SLP program is to encourage participants to quote more often and to add displayed liquidity to the market. Thus, Rule 107B(a) requires that an SLP maintain a bid and/or an offer at the NBB or NBO averaging at least 5% of the trading day for each assigned security. Meeting this quoting requirement will enable an SLP to receive the basic SLP rebate (currently \$0.0032 per executed share) on security-by-security basis and to maintain their SLP status.²

To qualify as an SLP under Rule 107B(c), a member organization is subject to a number of conditions, including adequate trading infrastructure to support SLP trading activity, quoting and volume performance that demonstrates an ability to meet the 5% average quoting requirement, and use of specified SLP mnemonics. In addition, the business unit of the member organization acting as an SLP must enter proprietary orders only and have adequate information barriers between the SLP unit and any member organization’s customer, research, and investment-banking business. Pursuant to Rule 107B(g)(2)(A), a DMM may also be an SLP, but not in the same securities in which it is registered as a DMM.

Rules 107B(d) and (e) currently set forth the application process and voluntary withdrawal process for SLPs. Rule 107B(f) sets forth how the quoting requirements are calculated. The assignment of SLP securities is set forth in Rule 107B(g). Rule 107B(h) specifies the entry of orders by SLPs, which may only be entered electronically from off the Floor of the Exchange from the proprietary account of the member organization.

Rule 107B(i) imposes certain non-regulatory penalties if an SLP fails to meet the quoting requirements. Specifically, an SLP would not be able to earn a rebate unless it maintained a quote at the NBB or NBO an average of 5% of the trading day. An SLP is also at risk of losing its SLP status if it fails to meet the 5% quoting requirement for three consecutive months. Rule 107B(j) specifies the process for the appeal of any non-regulatory penalties.

¹ See Securities Exchange Act Release No. 61308 (January 7, 2010), 75 FR 2573 (January 5, 2010) (SR-NYSEAmex-2009-98) (establishing pilot program for market participants referred to as “Supplemental Liquidity Providers” or “SLPs.”), which is based on the SLP program of the New York Stock Exchange, LLC (“NYSE”). The pilot is currently scheduled to end on July 31, 2012.

² The Exchange may, from time to time, change the amounts of the scaled SLP rebates by filing a proposed rule change under Rule 19b-4(f)(2) of the Act. 17 CFR 240.19b-4(f)(2).

Proposed SLP Market Makers

The Exchange proposes to amend Rule 107B to add a category of SLPs that would be registered as market makers at the Exchange. As proposed, the term “SLP” would refer to member organizations that provide supplemental liquidity and there would be two classes of SLP. The existing SLP member organizations and associated requirements would continue unchanged and would be applicable to a new class of SLPs referred to as “SLP-Prop.”

The Exchange proposes to add a new class of SLP, referred to as “SLMM”, which would be registered as market makers at the Exchange. As proposed, the SLMMs would have differing qualification requirements and increased regulatory obligations as compared to SLP-Props, but would otherwise be subject to the existing SLP program. Because the Exchange proposes that the SLMMs would be subject to specified regulatory obligations, including the requirement to maintain a continuous two-sided quote, the Exchange believes that this class of registered market makers could be eligible for market maker treatment under federal rules,³ such as the close-out requirements for fail-to-deliver positions applicable to market makers under Rule 204 of Regulation SHO.⁴

As with the SLP program in general, SLMMs are intended to supplement the liquidity provided by DMMs, and are not intended to replace DMMs.⁵ The Exchange proposes to add SLMMs in order to assist in the maintenance of a fair and orderly market, as reasonably practicable. While all securities that trade at the Exchange are required to be assigned to a DMM, not all securities would be required to be assigned to an SLMM, which is how the SLP program operates today. The Exchange believes that the proposed rule change would expand the number of member organizations eligible to participate in the SLP program. In particular, it would enable member organizations that are registered as market makers on other exchanges that are not interested in joining the existing proprietary-only SLP program to join the SLP program.

As set forth in the proposed amendment to Rule 107B(a), an SLP can choose to be either an SLP-Prop or an SLMM. As proposed, SLMMs would have different

³ Among other things, a “market maker” is defined under the Securities Exchange Act of 1934 (the “Act”) as “any dealer who, with respect to a security, holds himself out (by entering quotations in an inter-dealer communication system or otherwise) as being willing to buy and sell such security for his own account on a regular or continuous basis.” 15 U.S.C. 78c(a)(38).

⁴ 17 CFR 242.204(a)(3).

⁵ The Exchange notes that NYSE Arca, Inc. (“NYSE Arca”) has two classes of market makers: lead market makers and regular market makers. The proposed SLMM class would have obligations similar to those applicable to NYSE Arca regular market makers.

qualification requirements, specified regulatory obligations, expanded entry of order requirements, and a security-by-security withdrawal ability. SLP-Props and SLMMs would be subject to the same application and overall program withdrawal process, quoting requirements, manner by which SLP securities are assigned, and non-regulatory penalties. The Exchange does not propose to amend those aspects of the SLP program that would be applicable to both SLP-Props and SLMMs.⁶ For these purposes, the rule would continue to refer to “SLPs,” which refers to both SLP-Prop and SLMM.

As proposed, the qualification requirements specified in Rule 107B(c) would be applicable and unchanged to SLP-Props. The Exchange proposes to add Rule 107B(d) to specify the qualification requirements of SLMMs, and re-number the rest of Rule 107B accordingly. As proposed, to be approved, an SLMM would need to meet the qualification requirements currently set forth in Rule 107B(c)(1), and (3) – (5), relating to requirements for adequate technology and performance history.

If approved as an SLMM, an SLMM must meet specified regulatory obligations, which are set forth in proposed Rule 107B(d). Because these are regulatory obligations, failure to comply with these obligations could result in disciplinary action. First, pursuant to proposed Rule 107B(d)(1), the SLMM must maintain a continuous two-sided quotation in those securities in which the SLMM is registered to trade as an SLP (“Two-Sided Obligation”). As proposed, the Two-Sided Obligation applicable to SLMMs would be virtually identical to the market-maker two-sided obligations adopted by the equities markets in 2010.⁷ Second, pursuant to proposed Rule 107B(d)(2), the SLMM would be required to maintain net capital in accordance with the provisions of Rule 15c3-1 under the Act, which specifies the capital requirements for market makers.⁸ Finally, pursuant to

⁶ As part of the application process, a prospective SLP would make an election of whether it is seeking to be an SLP-Prop or SLMM. Based on this election, the Exchange would review the application for whether the SLP applicant meets the qualification requirements of Rule 107B(c) or proposed Rule 107B(d), as applicable. Current SLPs may also apply with the Exchange to convert to be an SLMM, provided that they meet proposed Rule 107B(d) qualification requirements.

⁷ See Securities Exchange Act Release No. 63255 (Nov. 5, 2010), 75 FR 69484 (Nov. 12, 2010) (SR-BATS-2010-025; SR-BX-2010-66; SR-CBOE-2010-087; SR-CHX-2010-22; SR-FINRA-2010-049; SR-NASDAQ-2010-115; SR-NSX-2010-12; SR-NYSE-2010-69; SR-NYSEAmex-2010-96; and SR-NYSEArca-2010-83) (order approving enhanced quoting requirements for market makers).

⁸ 17 CFR 240.15c3-1. For purposes of that rule, the term “market maker” is defined as “a dealer who, with respect to a particular security, (i) regularly publishes bona fide, competitive bid and offer quotations in a recognized interdealer quotation system; or (ii) furnishes bona fide competitive bid and offer quotations on request; and (iii) is ready, willing and able to effect transactions in

proposed Rule 107B(d)(3), the SLMM would be required to maintain unique mnemonics specifically dedicated to SLMM activity. Use of these unique mnemonics will enable SLMMs to meet their requirement under proposed Rule 107B(d)(1)(A) to identify their market-making activity to the Exchange. As proposed, such mnemonics may not be used for trading in securities other than SLP Securities assigned to the SLMM.⁹

Pursuant to Rule 107B(c)(6), SLPs must currently maintain adequate information barriers between the SLP unit and the member organization's customer, research and investment-banking business. This requirement ensures that the orders submitted by SLPs are proprietary only, and are not related to any customer-facing business, including potentially market-making businesses. The Exchange proposes to maintain this requirement for SLP-Props. However, because market making sometimes involves a customer-facing business, the Exchange does not believe that the information barrier requirement is necessary for the proposed SLMMs.¹⁰ Accordingly, the Exchange proposes that this qualification requirement be applicable only to the SLP-Prop class of SLPs.

As a related matter, the Exchange proposes to amend Rule 107B(h) (as proposed Rule 107B(i)) to modify the entry of order requirements. SLP-Prop would continue to be required to enter proprietary orders only. As proposed, SLMMs would similarly be required to enter orders for their own account, however, they could be entered in either a proprietary capacity or a principal capacity on behalf of an affiliated or unaffiliated person. Accordingly, an SLMM could be submitting SLMM quotes to the Exchange on behalf of customers, or other unaffiliated or affiliated persons.

The Exchange proposes to add an additional ability for SLMMs to voluntarily withdraw from registration as a market maker in a particular security. In proposed Rule 107B(f)(2), the Exchange proposes that an SLMM may withdraw

reasonable quantities at his quoted prices with other brokers or dealers.” 17 CFR 240.15c3-1(c)(8).

⁹ Because of the regulatory obligations associated with the SLMM Two-Sided Obligations, the Exchange believes that requiring dedicated, unique mnemonics for SLMM trading activity will enable SLMMs to comply with the proposed Rule 107B(d)(1)(A) requirement to identify such market-making quotes to the Exchange. The use of unique mnemonics will also facilitate the review by FINRA, on behalf of the Exchange and NYSE Regulation, Inc., of SLMM compliance with the Two-Sided Obligation.

¹⁰ The Exchange notes that other exchanges do not require information barriers for equities market makers. *See, e.g.*, The NASDAQ Stock Market LLC (“Nasdaq”) Rules Series 4600 (Requirements for Nasdaq Market Makers and Other Nasdaq Market Center Participants) and NYSE Arca Equities Rule 7, Section 2 (Market Makers).

its registration in a security by giving written notice to the SLP Liaison Committee and FINRA. As proposed, the Exchange may require a certain minimum notice period for withdrawal, and may place such other conditions on withdrawal and re-registration following withdrawal, as it deems appropriate in the interests of maintaining fair and orderly markets. An SLMM that fails to give advanced written notice of termination to the Exchange may be subject to formal disciplinary action.

The Exchange believes that the security-by-security withdrawal provision will enable SLMMs to comply with legal or regulatory requirements that may conflict with meeting the SLMM requirements. For example, permitting an SLMM to withdraw its quotations may enable it to meet otherwise conflicting obligations under Rule 104 of Regulation M.¹¹ In particular, because the Exchange will always have a DMM assigned to a security, the Exchange believes that having a flexible policy toward withdrawal of registration in a security will not harm investors. Moreover, the proposed rule is identical to that of another exchange.¹²

The final proposed change to the SLP rule is to add to Rule 107B(g) (as proposed Rule 107B(h)) that an SLP-Prop may not also act as an SLMM in the same securities in which it is registered as an SLP-Prop and vice versa. The Exchange believes that under the SLP program, a member organization should be either an SLP-Prop or SLMM. However, if a member organization has more than one business unit, and the SLP-Prop business unit is walled off from the SLMM business unit, the member organization may engage in both an SLP-Prop and SLMM business from those different business units. Provided there is no coordinated trading between the SLP-Prop and SLMM business units, they may be assigned the same securities.

The Exchange proposes to implement the changes to the SLP program by adding the SLMM class effective on the first day of the month following Commission approval of this proposal.

(b) Statutory Basis

The Exchange believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange. In particular, the Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹³ in general, and furthers the

¹¹ 17 CFR 242.104 (setting forth restrictions on entering stabilizing bids or penalty bids in connection with an offering of any security).

¹² The proposed rule is based on BATS Exchange, Inc. (“BATS”) Rule 11.7(b). As noted below, a number of self-regulatory organizations have similar provisions, with varying language.

¹³ 15 U.S.C. 78f(b).

objectives of Section 6(b)(5) of the Act,¹⁴ in particular, because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, 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.

The Exchange believes that adding an additional registered market maker program to the Exchange will promote just and equitable principles of trade as it could potentially expand the number of market participants trading at the Exchange that would be required to assist in the maintenance of a fair and orderly market, as reasonably practicable. In particular, the current SLP program is limited solely to member organizations that trade for their own account, and that are walled off from any customer-facing business. With the proposed rule change, additional market participants, including member organizations that are registered as market makers on other exchanges that engage in a customer-facing business, would be able to participate in the SLP program.

As noted above, the Exchange would continue to require that a DMM be registered in every security at the Exchange, and similar to NYSE Arca's market maker program, which has two classes of market maker, the SLMMs would provide supplemental liquidity in addition to the DMMs. Because the proposed SLMMs would be required to meet the Two-Sided Obligation applicable to all equities market makers, the Exchange believes that the proposed rule change would also remove impediments to and perfect the mechanism of a free and open market and a national market system by increasing the number of market participants that are required to maintain a continuous two-sided quotation in the securities in which they are registered. The Exchange further believes that adding additional registered market makers would protect investors and the public interest by providing additional sources of liquidity for trading.

In addition, the Exchange believes that the proposed rule change is consistent with the requirements of the Act because the proposed requirements for the SLMMs are based on existing, approved requirements for registered market makers on other exchanges. In addition to the Two-Sided Obligation, the proposed SLMMs would also be required to assist in the maintenance of a fair and orderly market, as reasonably practicable, and maintain net capital consistent with federal requirements for market makers.

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

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

¹⁴ 15 U.S.C. 78f(b)(5).

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 changes.

6. Extension of Time Period for Commission Action

The Exchange does not consent at this time to an extension of the time period specified in Section 19(b)(2) of the Act.

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

Not applicable.

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

Proposed Rule 107B(d), concerning the requirement that an SLMM register as a market maker in order to assist in the maintenance of a fair and orderly market, insofar as reasonably practicable, is based on the following rules of another self-regulatory organization (“SRO”): BATS Rule 11.8(a); NASDAQ OMX BX, Inc. (“BX”) Rule 4613; The Chicago Stock Exchange, Inc. (“CHX”) Art. 16, Rule 8; Nasdaq Rule 4613; National Stock Exchange (“NSX”) Rule 11.8(a); and NYSE Arca Equities Rule 7.23(a).

Proposed Rule 107B(d)(1), regarding the Two-Sided Obligation, is based on the following rules of another SRO: BATS Rule 11.8(d); BX Rule 4613(a); Chicago Board Options Exchange, Incorporated Rules 53.23 and 53.56; CHX Art. 16, Rule 8(a); Nasdaq Rule 4613(a); NYSE Rule 104(a)(1); NSX Rule 11.8(a)(1); NYSE Amex Equities Rule 104(a)(1); NYSE Arca Equities Rule 7.23(a)(1); and FINRA Rule 6272(a).

Proposed Rule 107B(d)(2), regarding net capital requirements, is based on Rule 15c3-1 under the Act¹⁵ and the following rules of another SRO: BATS Rule 11.5(a); CSX Art. 16, Rule 8(b); NYSE Arca Equities Rule 7.23(a)(2); NSX Rule 11.5(b).

Proposed Rule 107B(f)(2), regarding voluntary withdrawal of registration in a security as a market maker, is based on the following rules of another SRO: BATS Rule 11.7(b); Nasdaq Rules 4319 and 4320; NSX Rule 11.7(b); NYSE Arca Equities Rule 7.22(e); CHX Art. 16, Rule 6.01; and NSX Rule 11.7(b) and 11.8(e)

¹⁵ 17 CFR 240.15c3-1.

9. Exhibits

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

Exhibit 5 – Text of the Proposed Rule Change

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-NYSEAmex-2012-22)

[Date]

Self-Regulatory Organizations; NYSE Amex LLC; Notice of Filing of Proposed Rule Change Implementing Amending NYSE Amex Equities Rule 107B to Add a Class of Supplemental Liquidity Providers that are Registered as Market Makers at the Exchange

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (the “Act”)² and Rule 19b-4 thereunder,³ notice is hereby given that, on April 4, 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 amend NYSE Amex Equities Rule 107B to add a class of Supplemental Liquidity Providers (“SLP”) that are registered as market makers at the Exchange. The text of the proposed rule change is available at the Exchange, the Commission’s Public Reference Room, and www.nyse.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

¹ 15 U.S.C.78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

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 amend NYSE Amex Equities Rule 107B ("Rule 107B"), which currently operates on a pilot basis, to add a class of SLPs that are registered as market makers at the Exchange.

Background

Rule 107B, which was adopted as a pilot program in January 2010, established a new class of off-Floor market participants referred to as Supplemental Liquidity Providers or "SLPs."⁴ Approved Exchange member organizations are eligible to be an SLP. SLPs supplement the liquidity provided by Designated Market Makers ("DMM"). SLPs have monthly quoting requirements that may qualify them to receive SLP rebates, which are larger than the general rebate available to non-SLP market participants.

The goal of the SLP program is to encourage participants to quote more often and to add displayed liquidity to the market. Thus, Rule 107B(a) requires that an SLP maintain a bid and/or an offer at the NBB or NBO averaging at least 5% of the trading

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day for each assigned security. Meeting this quoting requirement will enable an SLP to receive the basic SLP rebate (currently \$0.0032 per executed share) on security-by-security basis and to maintain their SLP status.⁵

To qualify as an SLP under Rule 107B(c), a member organization is subject to a number of conditions, including adequate trading infrastructure to support SLP trading activity, quoting and volume performance that demonstrates an ability to meet the 5% average quoting requirement, and use of specified SLP mnemonics. In addition, the business unit of the member organization acting as an SLP must enter proprietary orders only and have adequate information barriers between the SLP unit and any member organization's customer, research, and investment-banking business. Pursuant to Rule 107B(g)(2)(A), a DMM may also be an SLP, but not in the same securities in which it is registered as a DMM.

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consecutive months. Rule 107B(j) specifies the process for the appeal of any non-regulatory penalties.

Proposed SLP Market Makers

The Exchange proposes to amend Rule 107B to add a category of SLPs that would be registered as market makers at the Exchange. As proposed, the term “SLP” would refer to member organizations that provide supplemental liquidity and there would be two classes of SLP. The existing SLP member organizations and associated requirements would continue unchanged and would be applicable to a new class of SLPs referred to as “SLP-Prop.”

The Exchange proposes to add a new class of SLP, referred to as “SLMM”, which would be registered as market makers at the Exchange. As proposed, the SLMMs would have differing qualification requirements and increased regulatory obligations as compared to SLP-Props, but would otherwise be subject to the existing SLP program. Because the Exchange proposes that the SLMMs would be subject to specified regulatory obligations, including the requirement to maintain a continuous two-sided quote, the Exchange believes that this class of registered market makers could be eligible for market maker treatment under federal rules,⁶ such as the close-out requirements for fail-to-deliver positions applicable to market makers under Rule 204 of Regulation SHO.⁷

As with the SLP program in general, SLMMs are intended to supplement the

⁶ Among other things, a “market maker” is defined under the Securities Exchange Act of 1934 (the “Act”) as “any dealer who, with respect to a security, holds himself out (by entering quotations in an inter-dealer communication system or otherwise) as being willing to buy and sell such security for his own account on a regular or continuous basis.” 15 U.S.C. 78c(a)(38).

⁷ 17 CFR 242.204(a)(3).

liquidity provided by DMMs, and are not intended to replace DMMs.⁸ The Exchange proposes to add SLMMs in order to assist in the maintenance of a fair and orderly market, as reasonably practicable. While all securities that trade at the Exchange are required to be assigned to a DMM, not all securities would be required to be assigned to an SLMM, which is how the SLP program operates today. The Exchange believes that the proposed rule change would expand the number of member organizations eligible to participate in the SLP program. In particular, it would enable member organizations that are registered as market makers on other exchanges that are not interested in joining the existing proprietary-only SLP program to join the SLP program.

As set forth in the proposed amendment to Rule 107B(a), an SLP can choose to be either an SLP-Prop or an SLMM. As proposed, SLMMs would have different qualification requirements, specified regulatory obligations, expanded entry of order requirements, and a security-by-security withdrawal ability. SLP-Props and SLMMs would be subject to the same application and overall program withdrawal process, quoting requirements, manner by which SLP securities are assigned, and non-regulatory penalties. The Exchange does not propose to amend those aspects of the SLP program that would be applicable to both SLP-Props and SLMMs.⁹ For these purposes, the rule

⁸ The Exchange notes that NYSE Arca, Inc. (“NYSE Arca”) has two classes of market makers: lead market makers and regular market makers. The proposed SLMM class would have obligations similar to those applicable to NYSE Arca regular market makers.

⁹ As part of the application process, a prospective SLP would make an election of whether it is seeking to be an SLP-Prop or SLMM. Based on this election, the Exchange would review the application for whether the SLP applicant meets the qualification requirements of Rule 107B(c) or proposed Rule 107B(d), as applicable. Current SLPs may also apply with the Exchange to convert to be an SLMM, provided that they meet proposed Rule 107B(d) qualification requirements.

would continue to refer to “SLPs,” which refers to both SLP-Prop and SLMM.

As proposed, the qualification requirements specified in Rule 107B(c) would be applicable and unchanged to SLP-Props. The Exchange proposes to add Rule 107B(d) to specify the qualification requirements of SLMMs, and re-number the rest of Rule 107B accordingly. As proposed, to be approved, an SLMM would need to meet the qualification requirements currently set forth in Rule 107B(c)(1), and (3) – (5), relating to requirements for adequate technology and performance history.

If approved as an SLMM, an SLMM must meet specified regulatory obligations, which are set forth in proposed Rule 107B(d). Because these are regulatory obligations, failure to comply with these obligations could result in disciplinary action. First, pursuant to proposed Rule 107B(d)(1), the SLMM must maintain a continuous two-sided quotation in those securities in which the SLMM is registered to trade as an SLP (“Two-Sided Obligation”). As proposed, the Two-Sided Obligation applicable to SLMMs would be virtually identical to the market-maker two-sided obligations adopted by the equities markets in 2010.¹⁰ Second, pursuant to proposed Rule 107B(d)(2), the SLMM would be required to maintain net capital in accordance with the provisions of Rule 15c3-1 under the Act, which specifies the capital requirements for market makers.¹¹ Finally,

¹⁰ See Securities Exchange Act Release No. 63255 (Nov. 5, 2010), 75 FR 69484 (Nov. 12, 2010) (SR-BATS-2010-025; SR-BX-2010-66; SR-CBOE-2010-087; SR-CHX-2010-22; SR-FINRA-2010-049; SR-NASDAQ-2010-115; SR-NSX-2010-12; SR-NYSE-2010-69; SR-NYSEAmex-2010-96; and SR-NYSEArca-2010-83) (order approving enhanced quoting requirements for market makers).

¹¹ 17 CFR 240.15c3-1. For purposes of that rule, the term “market maker” is defined as “a dealer who, with respect to a particular security, (i) regularly publishes bona fide, competitive bid and offer quotations in a recognized interdealer quotation system; or (ii) furnishes bona fide competitive bid and offer quotations on request; and (iii) is ready, willing and able to effect transactions in reasonable quantities at his quoted prices with other brokers or dealers.” 17 CFR

pursuant to proposed Rule 107B(d)(3), the SLMM would be required to maintain unique mnemonics specifically dedicated to SLMM activity. Use of these unique mnemonics will enable SLMMs to meet their requirement under proposed Rule 107B(d)(1)(A) to identify their market-making activity to the Exchange. As proposed, such mnemonics may not be used for trading in securities other than SLP Securities assigned to the SLMM.¹²

Pursuant to Rule 107B(c)(6), SLPs must currently maintain adequate information barriers between the SLP unit and the member organization's customer, research and investment-banking business. This requirement ensures that the orders submitted by SLPs are proprietary only, and are not related to any customer-facing business, including potentially market-making businesses. The Exchange proposes to maintain this requirement for SLP-Props. However, because market making sometimes involves a customer-facing business, the Exchange does not believe that the information barrier requirement is necessary for the proposed SLMMs.¹³ Accordingly, the Exchange proposes that this qualification requirement be applicable only to the SLP-Prop class of SLPs.

240.15c3-1(c)(8).

¹² Because of the regulatory obligations associated with the SLMM Two-Sided Obligations, the Exchange believes that requiring dedicated, unique mnemonics for SLMM trading activity will enable SLMMs to comply with the proposed Rule 107B(d)(1)(A) requirement to identify such market-making quotes to the Exchange. The use of unique mnemonics will also facilitate the review by FINRA, on behalf of the Exchange and NYSE Regulation, Inc., of SLMM compliance with the Two-Sided Obligation.

¹³ The Exchange notes that other exchanges do not require information barriers for equities market makers. See, e.g., The NASDAQ Stock Market LLC ("Nasdaq") Rules Series 4600 (Requirements for Nasdaq Market Makers and Other Nasdaq Market Center Participants) and NYSE Arca Equities Rule 7, Section 2 (Market Makers).

As a related matter, the Exchange proposes to amend Rule 107B(h) (as proposed Rule 107B(i)) to modify the entry of order requirements. SLP-Prop would continue to be required to enter proprietary orders only. As proposed, SLMMs would similarly be required to enter orders for their own account, however, they could be entered in either a proprietary capacity or a principal capacity on behalf of an affiliated or unaffiliated person. Accordingly, an SLMM could be submitting SLMM quotes to the Exchange on behalf of customers, or other unaffiliated or affiliated persons.

The Exchange proposes to add an additional ability for SLMMs to voluntarily withdraw from registration as a market maker in a particular security. In proposed Rule 107B(f)(2), the Exchange proposes that an SLMM may withdraw its registration in a security by giving written notice to the SLP Liaison Committee and FINRA. As proposed, the Exchange may require a certain minimum notice period for withdrawal, and may place such other conditions on withdrawal and re-registration following withdrawal, as it deems appropriate in the interests of maintaining fair and orderly markets. An SLMM that fails to give advanced written notice of termination to the Exchange may be subject to formal disciplinary action.

The Exchange believes that the security-by-security withdrawal provision will enable SLMMs to comply with legal or regulatory requirements that may conflict with meeting the SLMM requirements. For example, permitting an SLMM to withdraw its quotations may enable it to meet otherwise conflicting obligations under Rule 104 of Regulation M.¹⁴ In particular, because the Exchange will always have a DMM assigned to a security, the Exchange believes that having a flexible policy toward withdrawal of

¹⁴ 17 CFR 242.104 (setting forth restrictions on entering stabilizing bids or penalty bids in connection with an offering of any security).

registration in a security will not harm investors. Moreover, the proposed rule is identical to that of another exchange.¹⁵

The final proposed change to the SLP rule is to add to Rule 107B(g) (as proposed Rule 107B(h)) that an SLP-Prop may not also act as an SLMM in the same securities in which it is registered as an SLP-Prop and vice versa. The Exchange believes that under the SLP program, a member organization should be either an SLP-Prop or SLMM. However, if a member organization has more than one business unit, and the SLP-Prop business unit is walled off from the SLMM business unit, the member organization may engage in both an SLP-Prop and SLMM business from those different business units. Provided there is no coordinated trading between the SLP-Prop and SLMM business units, they may be assigned the same securities.

The Exchange proposes to implement the changes to the SLP program by adding the SLMM class effective on the first day of the month following Commission approval of this proposal.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange. In particular, the Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹⁶ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹⁷ in particular, because it is designed to prevent fraudulent and manipulative acts

¹⁵ The proposed rule is based on BATS Exchange, Inc. (“BATS”) Rule 11.7(b). As noted below, a number of self-regulatory organizations have similar provisions, with varying language.

¹⁶ 15 U.S.C. 78f(b).

¹⁷ 15 U.S.C. 78f(b)(5).

and practices, to promote just and equitable principles of trade, 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.

The Exchange believes that adding an additional registered market maker program to the Exchange will promote just and equitable principles of trade as it could potentially expand the number of market participants trading at the Exchange that would be required to assist in the maintenance of a fair and orderly market, as reasonably practicable. In particular, the current SLP program is limited solely to member organizations that trade for their own account, and that are walled off from any customer-facing business. With the proposed rule change, additional market participants, including member organizations that are registered as market makers on other exchanges that engage in a customer-facing business, would be able to participate in the SLP program.

As noted above, the Exchange would continue to require that a DMM be registered in every security at the Exchange, and similar to NYSE Arca's market maker program, which has two classes of market maker, the SLMMs would provide supplemental liquidity in addition to the DMMs. Because the proposed SLMMs would be required to meet the Two-Sided Obligation applicable to all equities market makers, the Exchange believes that the proposed rule change would also remove impediments to and perfect the mechanism of a free and open market and a national market system by increasing the number of market participants that are required to maintain a continuous two-sided quotation in the securities in which they are registered. The Exchange further believes that adding additional registered market makers would protect investors and the public interest by providing additional sources of liquidity for trading.

In addition, the Exchange believes that the proposed rule change is consistent with the requirements of the Act because the proposed requirements for the SLMMs are based on existing, approved requirements for registered market makers on other exchanges. In addition to the Two-Sided Obligation, the proposed SLMMs would also be required to assist in the maintenance of a fair and orderly market, as reasonably practicable, and maintain net capital consistent with federal requirements for market makers.

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

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 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-NYSEAMEX-2012-22 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-2012-22. 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. 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-2012-22 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.¹⁸

Kevin M. O'Neill
Deputy Secretary

¹⁸ 17 CFR 200.30-3(a)(12).

Additions underlined.

Deletions bracketed.

NYSE Amex Equities Rules

* * * * *

Rule 107B – NYSE Amex Equities. Supplemental Liquidity Providers

(a) For purposes of this Rule, a Supplemental Liquidity Provider ("SLP") is a member organization that electronically enters proprietary orders or quotes from off the Floor of the Exchange into the systems and facilities of the Exchange and is obligated to maintain a bid or an offer at the National Best Bid ("NBB") or the National Best Offer ("NBO") in each assigned security in round lots averaging at least 5% of the trading day (see Section ([f]g) below). An SLP can be either a proprietary trading unit of a member organization ("SLP-Prop") or a registered market maker at the Exchange ("SLMM"). This pilot program will end on July 31, 2012.

(b) Financial Rebates for Executed Transactions. When an SLP posts liquidity on the Exchange and such liquidity is executed against an inbound order, the SLP will receive a financial rebate for that executed transaction in an amount that will be published in the Exchange's Price List (see the NYSE Amex Equities Price List on the Exchange's website), subject to the non-regulatory penalty provision described in subsection ([i]j) of this Rule ("Non-Regulatory Penalties").

(1) The SLP will receive credit towards the financial rebate for executions of displayed and non-displayed liquidity (e.g., reserve and dark orders) posted in round lots in their [SLP] its assigned securities only.

(c) Qualifications of an SLP-Prop [Supplemental Liquidity Provider]. To qualify as an SLP-Prop, a member organization must have:

(1) adequate technology to support electronic trading through the systems and facilities of the Exchange;

(2) mnemonics that identify to the Exchange SLP-Prop trading activity in assigned SLP securities. A member organization may not use such mnemonics for trading activity at the Exchange in assigned SLP securities that is not SLP-Prop trading activity or in securities in which a DMM unit is registered, but may use the same mnemonics for trading activity in securities not assigned to an SLP. If a member organization does not identify to the Exchange the mnemonic to be used for SLP-Prop trading activity, the member organization will not receive credit for such SLP trading;

- (3) adequate trading infrastructure to support SLP trading activity, which includes support staff to maintain operational efficiencies in the SLP program and adequate administrative staff to manage the member organization's SLP program;
- (4) quoting performance that demonstrates an ability to meet the 5% average quoting requirement in each assigned security;
- (5) a disciplinary history that is consistent with just and equitable business practices; and
- (6) the business unit of the member organization acting as an SLP-Prop must have in place adequate information barriers between the SLP-Prop unit and the member organization's customer, research and investment banking business.

(d) Qualifications of an SLMM. A member organization may register as an SLMM in one or more securities traded on the Exchange in order to assist in the maintenance of a fair and orderly market insofar as reasonably practicable. To qualify as an SLMM, a member organization must meet the requirements of Rule 107B(c)(1), and (3) – (5) – NYSE Amex Equities and if approved as an SLMM, must:

(1) maintain continuous, two-sided trading interest in those securities in which the SLMM is registered to trade as an SLP (“Two-Sided Obligation”).

(A) Two-Sided Obligation. For each security in which a member organization is registered as an SLMM, the SLMM must be willing to buy and sell such security for its own account on a continuous basis during the trading day and must enter and maintain two-sided trading interest that is identified to the Exchange as the interest meeting the Two-Sided Obligation and is displayed in Display Book at all times. Interest eligible to be considered as part of an SLMM’s Two-Sided Obligation must have a displayed size of at least one round lot; provided, however, that an SLMM may augment its Two-Sided Obligation size to display limit orders priced at the same price as the Two-Sided Obligation. After an execution against its Two-Sided Obligation, an SLMM must ensure that additional trading interest exists in the Display 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 by identifying existing interest on Display Book that will satisfy this obligation.

(B) Pricing Obligations. For NMS stocks (as defined in Rule 600 under Regulation NMS) an SLMM shall adhere to the pricing obligations established by paragraph (d)(1)(A) of this Rule during the trading day; 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, as reported by the responsible single plan processor, and (ii) shall be suspended during a trading halt.

suspension, or pause, and shall not re-commence 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.

(i) Bid and Offer Quotations. At the time of entry of the SLMM's bid (offer) interest, the price of the bid (offer) interest shall be not more than the Designated Percentage away from the then current NBB (NBO), or if no NBB (NBO), not more than the Designated Percentage away from the last reported sale from the responsible single plan processor. In the event that the NBB (NBO) (or if no NBB (NBO), the last reported sale) increases (decreases) to a level that would cause the bid (offer) interest to be more than the Defined Limit away from the NBB (NBO) (or if no NBB (NBO), the last reported sale), or if the bid (offer) is executed or cancelled, the SLMM shall enter new bid (offer) interest at a price not more than the Designated Percentage away from the then current NBB (NBO) (or if no NBB (NBO), the last reported sale), or identify to the Exchange current resting interest that satisfies the SLMM's obligation according to paragraph (d)(1)(A), above.

(ii) The NBB and NBO shall be determined by the Exchange in accordance with its procedures for determining protected quotations under Rule 600 under Regulation NMS.

(iii) For purposes of this Rule, the "Designated Percentage" shall be 8% for securities subject to Rule 80C(a)(i) – NYSE Amex Equities, 28% for securities subject to Rule 80C(a)(ii) – NYSE Amex Equities, and 30% for securities subject to Rule 80C(a)(iii) – NYSE Amex Equities, except that between 9:30 a.m. and 9:45 a.m. and between 3:35 p.m. and the close of trading, when Rule 80C – NYSE Amex Equities is not in effect, the Designated Percentage shall be 20% for securities subject to Rule 80C(a)(i) – NYSE Amex Equities, 28% for securities subject to Rule 80C(a)(ii) – NYSE Amex Equities, and 30% for securities subject to Rule 80C(a)(iii) – NYSE Amex Equities.

(iv) For purposes of this Rule, the "Defined Limit" shall be 9.5% for securities subject to Rule 80C(a)(i) – NYSE Amex Equities, 29.5% for securities subject to Rule 80C(a)(ii) – NYSE Amex Equities, and 31.5% for securities subject to Rule 80C(a)(iii) – NYSE Amex Equities, except that between 9:30 a.m. and 9:45 a.m. and between 3:35 p.m. and the close of trading, when Rule 80C – NYSE Amex Equities is not in effect, the Defined Limit shall be 21.5% for securities subject to Rule 80C(a)(i) – NYSE Amex Equities, 29.5% for securities subject to Rule 80C(a)(ii) – NYSE

Amex Equities, and 31.5% for securities subject to Rule 80C(a)(iii) – NYSE Amex Equities.

Nothing in this Rule shall preclude an SLMM from quoting at price levels that are closer to the NBB and NBO than the levels required by this Rule.

(2) maintain minimum net capital in accordance with the provisions of Rule 15c3-1 under the Securities Exchange Act of 1934.

(3) maintain unique mnemonics specifically dedicated to SLMM activity in order to comply with paragraph (d)(1)(A) of this Rule. Such mnemonics may not be used for trading in securities other than SLP Securities assigned to the SLMM.

([d]e) Application Process.

- (1) For purposes of this Rule, an "SLP Liaison Committee" shall consist of NYSE Euronext employees of the Operations Division and the U.S. Markets Division. The Head of the U.S. Markets Division or a designee shall designate the members of the SLP Liaison Committee. Among other responsibilities described in this Rule, the SLP Liaison Committee will determine whether an applicant is qualified to become an SLP.
- (2) To become an SLP, a member organization must submit an SLP application form with all supporting documentation to the SLP Liaison Committee. The processing of SLP applications will be suspended when the SLP quota has been reached as provided in Section ([g]h)(2) of this Rule.
- (3) The SLP Liaison Committee will determine whether an applicant is qualified to become an SLP based on the qualifications described above in Section (c) or (d) of this Rule [("Qualifications of a Supplemental Liquidity Provider")].
- (4) After an applicant submits an SLP application to the SLP Liaison Committee, with supporting documentation, the SLP Liaison Committee shall notify the applicant member organization of its decision.
- (5) If an applicant is approved by the SLP Liaison Committee to receive SLP status, such applicant must establish connectivity with relevant Exchange systems before such applicant will be permitted to trade as an SLP on the Exchange.
- (6) In the event an applicant is disapproved or disqualified (see Section ([i]j)(2) below) by the SLP Liaison Committee, such applicant may request an appeal of such disapproval or disqualification by the SLP Panel as provided in Section ([j]k)("Appeal of Non-Regulatory Penalties") of this Rule, and/or reapply for SLP status three (3) months after the month in which the applicant received disapproval or disqualification notice from the Exchange.

([e]f) Voluntary Withdrawal of SLP Status.

(1) An SLP may withdraw from [the] such status [of an SLP] by giving notice to the SLP Liaison Committee, the Operations Division, and FINRA. Such withdrawal shall become effective when those securities assigned to the withdrawing SLP are reassigned to another SLP. After the SLP Liaison Committee, the Operations Division, and FINRA receive the notice of withdrawal from the withdrawing SLP, the SLP Liaison Committee will reassign such securities as soon as practicable but no later than 30 days of the date said notice is received by the SLP Liaison Committee, the Operations Division, and FINRA. In the event the reassignment of securities takes longer than the 30-day period, the withdrawing SLP will have no obligations under this Rule 107B - NYSE Amex Equities and will not be held responsible for any matters concerning its previously assigned SLP securities upon termination of this 30-day period.

(2) An SLMM may withdraw its registration in a security by giving written notice to the SLP Liaison Committee and FINRA. The Exchange may require a certain minimum notice period for withdrawal, and may place such other conditions on withdrawal and re-registration following withdrawal, as it deems appropriate in the interests of maintaining fair and orderly markets. An SLMM that fails to give advanced written notice of termination to the Exchange may be subject to formal disciplinary action.

([f]g) Calculation of Quoting Requirement:

(1) The SLP's 5% quoting requirement is calculated by determining the average percentage of time the SLP is at the NBB or the NBO in each assigned security during the regular hours of the Exchange on a daily and monthly basis. For purposes of this Rule, the SLP Liaison Committee will determine whether an SLP has met its quoting requirement by calculating the following:

(A) the "Daily NBB Quoting Percentage", is calculated by determining the percentage of time an SLP has at least one round lot of displayed interest in each assigned security in an Exchange bid at the National Best Bid during each trading day for a calendar month;

(B) the "Daily NBO Quoting Percentage", is calculated by determining the percentage of time an SLP has at least one round lot of displayed interest in each assigned security in an Exchange offer at the National Best Offer during each trading day for a calendar month;

(C) the "Average Daily NBBO Quoting Percentage", is calculated for each trading day by summing the "Daily NBB Quoting Percentage" and the "Daily NBO Quoting Percentage" in each assigned security then dividing such sum by two; and

(D) the "Monthly Average NBBO Quoting Percentage", is calculated for each assigned security by summing the security's "Average Daily NBBO Quoting Percentages" for each Trading Day in a calendar month then dividing the resulting sum by the total number of Trading Days in such calendar month.

(i) For purposes of calculating whether an SLP is in compliance with its 5% quoting requirement, the SLP must post displayed liquidity in round lots in its assigned securities at the NBB or the NBO.

(ii) An SLP may post non-displayed liquidity; however, such liquidity will not be counted as credit towards the 5% quoting requirement.

(iii) Tick sensitive orders (i.e., "Sell Plus", "Buy Minus" (see Rule 13 - NYSE Amex Equities) and "Buy Minus Zero Plus") will not be counted as credit towards the 5% quoting requirement.

(2) The SLP shall not be subject to any minimum or maximum quoting size requirement in assigned securities apart from the requirement that an order be for at least one round lot. The quoting requirement will be measured by utilizing the mnemonics that the member organization has identified for SLP trading activity.

(3) The 5% quoting requirement will not be in effect in the first calendar month a member organization operates as an SLP. Therefore, the quoting requirement will take effect on the first day of the second consecutive calendar month the member organization operates as an SLP.

(4) SLP orders will be in the "Book Participant" category for purposes of parity pursuant to Rule 72 - NYSE Amex Equities.

[g]h] Assignment of Securities.

(1) The SLP Liaison Committee in its discretion, will assign to the SLP, a group of securities consisting of NYSE Amex-listed or traded equities securities for SLP trading purposes. The SLP Liaison Committee shall determine the number of Exchange-listed or traded securities within the group of securities assigned to each SLP.

(2) The SLP Liaison Committee, in its discretion, will assign one (1) or more SLPs to each security, depending upon the trading activity of the security.

(A) A DMM unit shall not also act as an SLP in the same securities in which it is registered as a DMM.

(B) An SLP-Prop shall not also act as an SLMM in the same securities in which it is registered as an SLP-Prop and vice versa, provided, however, if a member

organization maintains information barriers between an SLP-Prop unit and an SLMM unit, the SLP-Prop and SLMM units may be assigned the same securities.

~~([h]i)~~ Entry of Orders [by SLPs]. SLPs may only enter orders electronically from off the Floor of the Exchange and may only enter such orders directly into Exchange systems and facilities designated for this purpose. SLMM quotes and orders may be for the account of the SLMM in either a proprietary capacity or a principal capacity on behalf of an affiliated or unaffiliated person. All SLP-Prop orders must only be for the proprietary account of the SLP-Prop member organization.

~~([i]j)~~ Non-Regulatory Penalties.

(1) If an SLP fails to meet the 5% quoting requirement, the following non-regulatory penalties may be imposed by the Exchange:

(A) If, in any given calendar month, an SLP maintains a quote at the NBB or NBO averaging at least 5% of the trading day in any assigned security, such SLP will receive a financial rebate for that calendar month for all executed transactions as described in Section (b) ("Financial Rebates for Executed Transactions") of this Rule.

(B) If, in any calendar month, an SLP maintains a quote at the NBB or the NBO averaging less than 5% of the regular trading day in an assigned security, the SLP will not receive a financial rebate for that month for executed transactions in that particular assigned security as described in Section (b) ("Financial Rebates for Executed Transactions") of this Rule; and

(C) If an SLP fails to meet the 5% quoting requirement for three (3) consecutive calendar months in any assigned security, the SLP will be at risk of losing its SLP status, and the SLP Liaison Committee may, in its discretion, take the following non-regulatory actions:

(i) revoke the assignment of the affected security(ies) from the SLP; and

(ii) each time the SLP Liaison Committee revokes the assignment of an affected security for non-compliance with the 5% quoting requirement, as described in Section (i)(1)(C)(i) above, the SLP Liaison Committee reserves the right to revoke the assignment of an additional unaffected security from an SLP when there is a failure to comply with such quoting requirements; or

(iii) disqualify a member organization's status as an SLP.

(2) Disqualification Determinations. The SLP Liaison Committee shall determine if and when a member organization is disqualified from its status as an SLP. One calendar month prior to any such determination, the SLP Liaison Committee will notify the SLP of such impending disqualification in writing. If the SLP fails to meet

the 5% average quoting requirement (for a third consecutive month) in a particular security, the SLP may be disqualified from SLP status. When disqualification determinations are made, the SLP Liaison Committee will provide a disqualification notice to the member organization informing such member organization that it has been disqualified as an SLP.

- (3) Re-application for SLP Status: In the event a member organization is disapproved pursuant to Section (d)(6) or disqualified from its status as an SLP pursuant to Section (i)(1)(C)(iii), such member organization may re-apply for SLP status in accordance with Section (d) ("Application Process") of this Rule. Such application process shall occur at least three (3) calendar months following the month in which such member organization received its disapproval or disqualification notice.

(k) Appeal of Non-Regulatory Penalties

- (1) In the event a member organization disputes the SLP Liaison Committee's decision to impose any non-regulatory penalties described above in Section (i) (Non-Regulatory Penalties) of this Rule, such member organization ("appellant") may request, within five (5) business days of receiving notice of the decision to impose such non-regulatory penalties, the Supplemental Liquidity Provider Panel ("SLP Panel") to review all such decisions to determine if such decisions were correct.

(A) In the event a member organization is disqualified from its status as an SLP pursuant to Section (i)(1)(C)(iii) of this Rule, the SLP Liaison Committee shall not reassign the appellant's assigned securities to a different SLP until the SLP Panel has informed the appellant of its ruling.

- (2) The SLP Panel shall consist of the Exchange's Chief Regulatory Officer ("CRO"), or a designee of the CRO, and two (2) officers of the Exchange designated by the Head of the U.S. Markets Division.
- (3) The SLP Panel shall review the facts and render a decision within the time frame prescribed by the Exchange.
- (4) The SLP Panel may overturn or modify an action taken by the SLP Liaison Committee under this Rule. All determinations by the SLP Panel shall constitute final action by the Exchange on the matter at issue.

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