

Market Making



Be part of one of the fastest growing options exchange in the US

NYSE Arca Options offers the best on-screen liquidity of any US options exchange. Thanks to our liquidity providers, NYSE Arca is at the National Best Bid or Offer (NBBO) more often than any other exchange and alone at the NBBO three times more often than any other exchange¹.

Key features of the NYSE Arca platform:

1. Leading edge technology provides speed, reliability and unlimited bandwidth for quoting;
2. No need to buy bins or seats on the exchange to make markets;
3. Select stocks to trade with no restrictions;
4. Limited quote obligations in terms of spread, size and percentage of time in the market;
5. No Payment For Order Flow in Penny Pilot issues;
6. Post/take pricing model that rewards market makers for posting liquidity in Penny Pilot issues;
7. Strict Price/Time priority algorithm (after LMM guarantee);
8. A range of sophisticated order types, including several unique types;
9. No cancellation fees.

Opportunities

Many options traders choose to do more than send orders to NYSE Arca. Many become Lead Market Makers (LMM) or Market Makers (MM). With a simplified and flexible fee structure, Market Makers can choose the number of issues they want to trade. NYSE Arca appoints one LMM per option class and an unlimited number of MMs in each class².

LMMs receive participation guarantees and may be subject to paying a rights fee depending upon the issue. Please visit our website for a current fee schedule. www.nyse.com/optionsfees.

MMs do not receive participation guarantees and are not required to pay the Rights Fee or

maintain specified cash or liquid assets for market making activity.

The issues which an MM or LMM choose to make markets in will comprise their primary appointment. NYSE Arca provides MMs and LMMs with a dedicated market maker API (Application Programming Interface) for their market making activity. Both MMs and LMMs can trade in issues outside their primary appointment too, but must do so by submitting orders through one of NYSE Arca's order interfaces. For further information on all of NYSE Arca's interfaces, please visit: www.nyse.com/optionsconnectivity.

LMMs

- Receive a guaranteed 40% participation right if quoting at the NBBO, subject to prior customer order priority;
- Are rebated \$0.30 (rather than the standard \$0.25) per lot in Penny Pilot issues.
- Pay only \$0.09 (rather than the \$0.45 firm rate) per lot in non-Penny Pilot issues.

¹Independent report from the Transaction Auditing Group, Inc. October - December 2007, covering all 35 Penny Pilot issues.

²Except in certain highly liquid issues where no LMM is appointed.

MMs

- Are rebated \$0.30 (rather than the standard \$0.25) per lot in Penny Pilot issues.
- Pay only \$0.16 (rather than the \$0.45 firm rate) per lot in non-Penny Pilot issues.

Limited Obligations

Obligations for market makers are not unduly onerous and cover the following areas:

Quoting Obligations. LMMs are required to provide continuous two-sided quotes 90% of the time the Exchange is open for trading, while MMs are required to do so 60% of the time.

Neither LMMs nor MMs are required to quote all series nor are they required to quote on the Opening Auction, although many do. These obligations apply to all appointed issues collectively, rather than on an issue-by-issue basis and compliance is determined on a per-calendar-quarter basis.

Quote Width. The spread of market maker quotes may not exceed \$5, with the exception of the Opening Auction, where it may not exceed the following spread differentials:

Premium	Spread differentials
0 - \$1.99	\$0.25
\$2.00 - \$5.00	\$0.40
\$5.01 - \$10.00	\$0.50
\$10.01 - \$20.00	\$0.80
> \$20.00	\$1.00

Trading Activity. At least 75% of the trading activity of an LMM or MM (measured in terms of contract volume per quarter) must be in issues within the market maker's Primary Appointment.

Market Maker Direct API

The NYSE Arca Market Maker Direct API allows users to make markets on the Exchange in assigned classes through quote messaging. For market makers that require mass quote functionality and market maker protections, the proprietary market maker API provides:

- Extreme speed - 950 microseconds mean acknowledgement time
- Extreme throughput - Mass quotes up to 300 per packet; NYSE Arca can process over 1 million quotes per second
- Risk mitigation functionality

The API provides receipt of execution reports against quotes and receipt of market-maker-only administrative messages. The API provides execution reports for all electronic trades and also supports Drop Copy duplicate execution reports to parties assigned by market maker firms.

For full specifications on the NYSE Arca Market Maker Direct protocol, visit: www.nyse.com/optionsconnectivity

Market Making

Control Risk

NYSE Arca offers functionality that allows market makers to quickly pull their quotes from the market. Market makers can either utilize the “quote takedown” feature or the Market Maker Risk Limitation (MMRL). The “quote takedown” message can remove all quotes for one series, all series for an underlying symbol, or all quotes for a market maker’s session. The MMRL cancels all quotes posted by a market maker once a specific number of trades have occurred. MMRL is fully configurable and applies to trades against market maker quotes only; it does not apply to trades against market maker orders.

Options Trading Permits

There is no need to buy bins or seats on the exchange to make markets. Market makers only need to acquire the relevant number of Options Trading Permits (OTPs), depending on how many issues they wish to make markets in. Market making OTPs cost \$4,000 each per month visit our website for the most recent fee schedule: www.nyse.com/optionsfees

Number of Issues	OTPs required
Up to 100	1
Up to 250	2
Up to 750	3
Over 750	4

For further information about NYSE Arca please contact our Client Relationship Services team:

Email: CRS@nyx.com

Tel: +1 (888) 689-7739 and press 3 for Client Relationship Services

Web: www.nyse.com/options

How to become a market maker at NYSE Arca

Regulatory requirements (SEC)	Become a Broker or Dealer - file Form BD with the Securities and Exchange Commission and register with the NASD Central Registration Depository (Web CRD®), including individual registration requirements
Option Trading Permits	Become an Options Trading Permit (OTP) holder at NYSE Arca by submitting the relevant forms, including individual registration requirements, and acquire the number of OTPs you require
Regulatory Requirements (DEA)	Complete Designated Examining Authority (DEA) requirements
Examinations	Complete relevant examinations - Market Maker Authorized Traders examination (Series 44 prerequisite)
Clearing	Become clearing member of Options Clearing Corporation or establish clearing relationship with clearing member
Connectivity	Choose connectivity path depending on geographical location and connectivity requirements
Interfaces	Write to or acquire Independent Software Vendor interface to the relevant NYSE Arca interface(s), including the Market Maker Direct API
Go live!	

Typically the above process takes between 10 – 14 weeks, meaning applicants are potentially less than four months away from becoming part of the fastest growing US options market.

NYSE Euronext refers to NYSE Euronext and its affiliates and references to NYSE Euronext in this publication include each and any such company as the context dictates. Liffe is the brand name of the derivatives business of Euronext - a subsidiary of NYSE Euronext - comprising the Amsterdam, Brussels, Lisbon, London and Paris derivatives markets.

NYSE Arca Options, a subsidiary of NYSE Euronext, is one of currently six US equity options exchanges. NYSE Arca Options offers both a floor based and electronic options trading platform.

This publication is solely intended as information and does not constitute any investment advice or an offer, solicitation or recommendation to acquire or dispose of any investment or to engage in any transaction.

Although this publication is issued in good faith, no representation or warranty, express or implied, is or will be made and no responsibility or liability is or will be accepted by NYSE Euronext or by any of its officers, employees or agents in relation to the accuracy or completeness of this publication and any such liability is expressly disclaimed.

No information set out or referred to in this publication shall form the basis of any contract. The creation of rights and obligations in respect of financial products that are traded on the exchanges operated by NYSE Euronext's subsidiaries shall depend solely on the applicable rules of the market operator.

NYSE Euronext encourages you to reach your own opinion as to whether NYSE Euronext products are appropriate or relevant and recommends you not to make any decisions on the basis of the information contained in this publication before checking it, as you will bear full responsibility for any use that you make of it.

Persons wishing to trade products available on Liffe or NYSE Arca Options or any other NYSE Euronext markets or wishing to offer such products to third parties are advised, before doing so, to check their legal and regulatory position in the relevant territory and to understand the characteristics of, and risks associated with, such products. For the characteristics of, and risks associated with, standardized options traded in the US, see the Options Disclosure Document issued by the Options Clearing Corporation ("OCC"): <http://www.optionsclearing.com/publications/risks/riskstoc.pdf>.

Potential users of NYSE Euronext products should familiarize themselves with the full contract specification of the product concerned and any associated information.

All proprietary rights and interest in or connected with this publication are vested in NYSE Euronext and/or its relevant partners. No part of it may be redistributed or reproduced in any form or by any means or used to make any derivative work (such as translation, transformation, or adaptation) without the prior written permission of NYSE Euronext.

Certain statements in this presentation may contain forward-looking statements, including forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include, but are not limited to, statements concerning NYSE Euronext's plans, objectives, expectations and intentions and other statements that are not historical or current facts. Forward-looking statements are based on NYSE Euronext's current expectations and involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied in such forward-looking statements. Factors that could cause NYSE Euronext's results to differ materially from current expectations include, but are not limited to: NYSE Euronext's ability to implement its strategic initiatives, economic, political and market conditions and fluctuations, government and industry regulation, interest rate risk and U.S. and global competition, and other factors detailed in NYSE Euronext's reference document for 2006 ("document de référence") filed with the French Autorité des Marchés Financiers (Registered on June 6, 2007 under No. R.07-0089), 2006 Annual Report on Form 10-K, as amended, and other periodic reports filed with the U.S. Securities and Exchange Commission or the French Autorité des Marchés Financiers. In addition, these statements are based on a number of assumptions that are subject to change. Accordingly, actual results may be materially higher or lower than those projected. The inclusion of such projections herein should not be regarded as a representation by NYSE Euronext that the projections will prove to be correct.

This presentation speaks only as of this date. NYSE Euronext disclaims any duty to update the information herein.

NYSE Euronext®, Euronext®, Liffe®, NYSE Arca® LIFFE CONNECT® and NYSE Arca Options are registered trade or service marks of NYSE Euronext.

© 2007, NYSE Euronext - All rights reserved.