

Date: August 24, 2009
Audience: NYSE Arca Options and NYSE Amex Options Participants
Subject: Distributive Linkage and ISO Order Type

Highlights:

- Distributive Linkage to go into effect on August 31st replacing Options Linkage Authority
 - Under Distributive Linkage NYSE Arca and NYSE Amex will introduce Intermarket Sweep Orders
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Summary:

NYSE Amex options and NYSE Arca options are pleased to announce their participation in the Distributive Linkage Plan.

Distributive Linkage (as opposed to the current centralized Linkage) is scheduled to go into effect on August 31, 2009, across all seven (7) options exchanges. Distributive linkage will replace the existing Options Linkage Authority (OLA) that some exchanges currently use to route option orders that are marketable against the National Best Bid/Offer (NBBO). Instead, exchanges will use private routing brokers to send orders to markets at the NBBO. Unlike other exchanges, NYSE Amex and NYSE Arca already use routing brokers, and thus much of the changes will be transparent to our customers. Under Distributive Linkage we will continue to route Firm, Market Maker and Customer orders.

Distributive Linkage is designed to incorporate elements of the U.S. Equities Market's Regulation NMS, including a new trade-through exception called the Intermarket Sweep Order (ISO). ISOs are Limit Orders routable to all Eligible Exchanges, and marked appropriately as "ISO" orders. These orders execute against the fully displayed size of any Protected Bid or Offer (each exchange's best bid and best offer, or "BBO"). ISOs allow a large trade to fill against quotes priced worse than the NBBO while simultaneously meeting the requirement to sweep the top of the book at all eligible protected markets. A broker can sweep and then fill the remainder of an order, so long as simultaneous "ISO Orders" are sent out to trade against the protected quotes on away markets.

Alternatively, a firm may enter a routable order that is not marked ISO and priced through the NBBO. In that instance, the Exchange will route out ISO's on behalf of the order to clear the BBO's at each exchange (i.e., sweep the market); the balance of the order will trade or post at its limit price.

- The ISO order type will be indicated in FIX tag 18 with the value "f".
 - The ISO order type will be reported to OPRA with a special ISO trade qualifier (Type code "S").
 - The incoming ISO order type
 - Will ignore the NBBO.
 - Must have Time in Force = IOC
 - Will never route when received by NYSE Arca or NYSE Amex on an incoming order, and
 - Will trade vs the existing depth of book
 - Any remaining volume of the ISO order will cancel back to the sending firm.
 - The ISO order type will also be used by NYSE Arca and NYSE Amex when routing orders to away exchanges.
 - Outbound ISO orders should always have a TIF of IOC
 - Outbound ISO orders will sweep all available top of book size on away exchanges regardless of NBBO
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Contact Info:

If you have questions regarding new order types please contact your Relationship Manager at RelationshipMgt@nyx.com or call the options trade desk at (877) 729-7291. For questions regarding testing in our Cert environment, please contact the Connectivity Help Desk at 888 689-7739 or via e-mail at connectivity@nyx.com.

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