Trader Update

Date: **September 3, 2009**

Audience: **NYSE Arca Options Participants**

Subject: **Distributive Linkage and Changes to Market Order Processing**

Summary:
With the advent of Distributive Linkage, when NYSE Arca options receives a non-ISO market order, the exchange will trade all available volume on NYSE Arca at the NBBO, simultaneously route out any unexecuted balance as ISO's to away exchanges at their Protected Best Bid or Offer (PBBO), without waiting for an NBBO update, and then trade any remaining balance of the market order on NYSE Arca.

This changes how NYSE Arca had previously processed market orders. In the past, the market order was traded or routed at the NBBO and then posted on the NYSE Arca Consolidated Book until the NBBO updated, at which time the exchange would either trade available volume on NYSE Arca at the new NBBO and/or route out if another exchange's quote was at the NBBO. Because the exchange is now sending ISO orders that are not held to the NBBO but rather at the PBBO of each exchange, a market order can trade more aggressively than in the past.

We will continue to offer price protection to market orders with our proprietary collar logic. Settings for the collar will be based on legal width quotes for the series, depending on premium of the options, and Trade Desk personnel may, under certain circumstances, set collar protection at multiples of 1x, 2x, or 3x of legal width. (see http://www.nyse.com/pdfs/Arca_Options_Collar_Protection.pdf or details).

Contact Info:
If you have questions regarding this notice please call the options trade desk at (877) 729-7291.

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