



NYSE Arca, Inc.

**LEAD MARKET MAKER
APPLICATION**

APPLICATION FOR LEAD MARKET MAKER REGISTRATION

EXPLANATION OF TERMS & PROCESSES

For purposes of this application, the following terms shall have the following meanings:

Applicant – the Broker-Dealer applying as a registered Lead Market Maker or amending this form to become a registered Lead Market Maker.

Appointment - on a form or forms prescribed by the Exchange, a registered Market Maker must apply for a Primary Appointment, having the obligations hereunder, and of Rule 6.37, in one or more option classes.

Associated Person - a person who is a partner, officer, director, member of a LLC, trustee of a Business Trust, or employee of an OTP Firm or any person directly or indirectly controlling, controlled by or under common control with an OTP Firm.

Control – as defined on Form-BD, the power, directly or indirectly, to direct the management or policies of a company, whether through ownership of securities, by contract or otherwise. Any person that (1) is a director, general partner or officer exercising executive responsibility (or having similar status or functions); (2) directly or indirectly has the right to vote 25% or more of a class of a voting security or has the power to sell or direct the sale of 25% or more of a class of voting securities; or (3) in the case of a partnership, has the right to receive upon dissolution, or has contributed, 25% or more of the capital, is presumed to control that company.

Central Registration Depository System (“Web CRD®”) – a centralized electronic registration system maintained by NASD which provides information on registered representatives and principals for members of participant organizations. This database contains employment history, exam scores, licensing information, disciplinary actions, fingerprint results, and other related registration information. NYSE Arca, Inc. is a participant of this system.

Designated Examining Authority (“DEA”) – the SEC will designate one Self-Regulatory Organization (“SRO”) to be a Broker-Dealer’s examining authority, when the Broker-Dealer is a Member or OTP Firm of more than one SRO. Every Broker-Dealer is assigned a DEA, who will examine the Broker-Dealer for compliance with financial responsibility rules. The SEC will make the DEA assignment based on the SRO examination program and the Broker-Dealer’s primary business location.

Direct Owners/Executive Officers – refers to (1) a director, general partner or officer exercising executive responsibility (or having similar status or function); or (2) directly or indirectly has the right to vote 5% or more of a class of voting security or has the power to sell or direct the sale of 5% or more of a class of voting securities; (3) is entitled to receive 5% or more of the net profits; (4) in the case of a partnership, all general partners and those limited and special partners that have the right to receive upon dissolution or have contributed, 5% or more of the capital; or (5) in the case of a LLC, those members that have the right to receive upon dissolution, or have contributed, 5% or more of the LLC’s capital, and if managed by elected managers, all elected managers.

Eligible Issues – an LMM may be allocated any one or more of the options issues opened for trading at the Exchange.

Financial Arrangement – (1) the direct financing of an OTP Holder’s dealings upon the Exchange; (2) any direct equity investment or profit sharing arrangement; or (3) any consideration over the amount of \$5,000.00 including, but not limited to, gifts, loans, annual salaries or bonuses.

Lead Market Maker (“LMM”) – an individual or entity that has been deemed qualified by the Exchange for the purpose of making transactions on the Exchange in accordance with the provisions of Rule 6.82. Each LMM or nominee thereof must be registered with the Exchange as a Market Maker. Any OTP Holder or OTP Firm registered as a Market Maker with the Exchange is eligible to be qualified as an LMM.

Lead Market Maker OTP – an approved Lead Market Maker with NYSE Arca, Inc. eligible to act as an LMM in options classes.

Market Maker (“MM”) – an OTP Holder approved by the Corporation to act as a Market Maker pursuant to NYSE Arca Rule 6

Market Maker Authorized Trader (“MMAT”) – an authorized individual who performs market-making activities pursuant to NYSE Arca Rule 6, on behalf of a OTP Firm or OTP Holder registered as a Market Maker or Lead Market Maker.

NYSE Arca, Inc. (“NYSE Arca”, the “Corporation”, or the “Exchange”) – a Delaware corporation as described in the Corporation’s Certificate of Incorporation and Bylaws. NYSE Arca is a national securities exchange as that term is defined by Section 6 of the Securities Exchange Act of 1934, as amended.

Quotations – OTP Holders who are registered as Lead Market Makers are required by rules 6.37 and 6.82 to generate and automatically update two-sided market quotations throughout the trading day in each of their appointed series for 99% of the time the Exchange is open for trading in each series.

Self-Regulatory Organization (“SRO”) - each national securities exchange or national securities association is an SRO. Each SRO must have rules that provide for the expulsion, suspension and other discipline of member Broker-Dealers for conduct inconsistent with just and equitable principles of trade.

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APPLICATION PROCESS

Filing Requirements

Prior to submitting the Application to become a Lead Market Maker, an applicant Broker-Dealer must have completed the Options Trading Permit (“OTP”) application, identifying “Market Making” as a business to be conducted on NYSE Arca, Inc. A firm will not be eligible for approval as a Lead Market Maker until after their OTP application, with this indication, is approved.

Checklist

Applicant OTP must complete and submit all materials as required in the Application Checklist (page 4) to:

NYSE Arca, Inc.
Attn: Client Relationship Services
100 South Wacker, Suite 1800
Chicago, IL 60606

or

CRS@nyx.com

If you have questions regarding the application, you may direct them to NYSE Arca Client Relationship Services:

Email: CRS@nyx.com; Phone: 1-888-689-7739 (option 3).

Application Process

- Following submission of the Lead Market Maker Application, payment for applicable fees, and supporting documents, NYSE Arca will review the application for completeness, assess the firm’s capital sufficiency, review registration and disclosure information for the Applicant and each listed Market Maker Authorized Trader, and review the Applicant’s information barrier procedures.
- Applicant is required to consult with an NYSE Arca representative to determine the most beneficial connectivity option. NYSE Arca will then coordinate the connectivity between the Applicant Broker Dealer and the Exchange.
- If review of Statutory Disqualification Disclosure information and/or a background investigation indicates that the applicant Broker-Dealer has an associated person(s) with a possible statutory disqualification, NYSE Arca will contact the representative of the applicant Broker-Dealer to discuss the statutory disqualification process.
- If it appears that the Applicant has outstanding debt, civil judgment actions and/or regulatory disciplinary actions, the applicant Broker-Dealer will be contacted by NYSE Arca for further information.
- Applicants who have completed and returned all documents without indication of a statutory disqualification, outstanding debt, civil judgment actions and/or regulatory disciplinary actions will be presented to NYSE Arca for approval or disapproval without delay.
- NYSE Arca will promptly notify the Applicant in writing of their decision.
- Upon approval and once connectivity is established, your NYSE Arca representative will inform you of your ability to trade.
- In the event an applicant Broker-Dealer is disapproved by NYSE Arca, the applicant Broker-Dealer has an opportunity to be heard upon the specific grounds for the disapproval, in accordance with the provisions of NYSE Arca Rule 10.14. A disapproved applicant desiring an opportunity to be heard shall file a written application with the Secretary of the Corporation within thirty (30) calendar days after such action has been taken.

APPLICATION CHECKLIST AND FEES – NEW NYSE Arca LEAD MARKET MAKER

CHECKLIST FOR BROKER-DEALERS TO BECOME A LEAD MARKET MAKER

- Approved Options Trading Permit (“OTP”) application¹
- Application for Lead Market Maker, Sections 1 through 5
- Form U4 and fingerprint cards for each Market Maker Authorized Trader listed in Section 3 are available on Web CRD®
- Proof of a Passing Series 44 Test Score within the previous five (5) years for each Market Maker Authorized Trader listed in Section 3; or
- Request for Waiver has been granted. Refer to NYSE Arca Rule 2.5(c)(4) for details
- Copy of the Applicant’s Written Supervisory Procedures (“WSPs”) for Market Making on NYSE Arca, Inc.
- Copy of the “Information Barrier” procedures required by NYSE Arca Rule 6.83

SUPPLEMENTAL CHECKLIST FOR OTP FIRMS APPROVED PRIOR TO DECEMBER 23, 2005

- Financial Documentation
 - Four (4) Most Recent FOCUS Reports² and Most Recent Audited Financial Statements, if applicable
 - Most Recent Balance Sheet and Capital Computation³
 - Six Month Profit/Loss Projection³
 - Subordination Agreements, if applicable³
- All examination reports and corresponding responses from the Applicant Broker-Dealer for the previous two (2) years
- Organizational Documents: Articles of Incorporation and Bylaws; Partnership Agreement; Limited Liability Company (“LLC”) Agreements; Operating Agreement; or similar documentation
- Copy of Written Supervisory Procedures, Anti-Money Laundering Procedures, and Insider Trading Act Procedures (if separate)³

¹ OTP Firms approved by the Exchange prior to December 23, 2005 may be required to supply additional information in consideration of their Lead Market Maker Application. Please see the supplemental checklist on this page.

² Applicants must demonstrate that they have current net capital of 140% of their minimum net capital requirement or \$20,000 in excess of their minimum dollar net capital requirement, **whichever is greater**. If the Broker-Dealer has reported net losses for the period reviewed, the Firm’s financial statements must demonstrate that its excess net capital can withstand six (6) consecutive months of average losses. Applicant Broker-Dealers that do not have the requested financial information available are required to submit Pro Forma Financial statements for the most recent six (6) months or since inception, whichever is less.

³ Required for NYSE Arca-DEA Broker-Dealers only

APPLICATION FOR LEAD MARKET MAKER REGISTRATION

SECTION 1 – ORGANIZATIONAL PROFILE

Date: _____ SEC No: _____ CRD No.: _____

APPLICATION AMENDMENT

GENERAL INFORMATION

Name of Applicant OTP Firm: _____

Business Address: _____

City: _____ State: _____ Zip Code: _____

Business Phone: _____ Fax: _____

Contact Name: _____ Title: _____

Phone: _____ Fax: _____

Email Address: _____

OTP APPROVAL STATUS

- Applicant organization is currently an approved Options Trading Permit Holder and Market Maker with NYSE Arca.*
* All Lead Market Maker applicants must be approved OTP Holders and Market Makers with NYSE Arca.

NET CAPITAL

Amount: _____ As of Date: _____ Focus Report Line Item*: _____

Source of Net Capital (check all that apply)

- Long Proprietary Positions Interest/Dividends/Commissions Secured Demand Note Cash
 Subordinated Loan Clearing/Good Faith Deposits Other _____

*Submitting the firm's most recent Quarterly FOCUS report and highlighting the Net Capital is an alternative to completing this section.

SECURITIES

Estimate the number of issues in which the Applicant intends to become registered as a LMM: _____

OTHER BUSINESS ACTIVITIES

Check all that apply

- Investment Banking Public Securities Business Proprietary Trading
 Equities Market Maker Other _____

APPLICATION FOR LEAD MARKET MAKER REGISTRATION

SECTION 2 - OTHER AFFILIATIONS

Is the Applicant a Dealer/Specialist or Market Maker on a registered national securities exchange(s) or association? Yes No

If yes, provide the following information:

SRO: _____

Operating Capacity: _____

List Securities: _____

SRO: _____

Operating Capacity: _____

List Securities: _____

SRO: _____

Operating Capacity: _____

List Securities: _____

APPLICATION FOR LEAD MARKET MAKER REGISTRATION

SECTION 3 - MARKET MAKER AUTHORIZED TRADER APPLICANT LIST

Provide a copy of Form U4 for each of the individuals identified below, unless such information was previously provided in the OTP Application and/or available on Web CRD®. To be eligible for registration as a MMAT, as defined in NYSE Arca Rule 6.1A(a)(9), a person must successfully complete the NYSE Arca Market Maker examination (Series 44).

Please remember to submit Form U-4 and fingerprint cards directly to NASD, if not already available on Web CRD®.

MARKET MAKER AUTHORIZED TRADER

Full Name: _____ Date of Birth: _____

CRD No.: _____ Series 44 Qualification: Yes No

Form U4, Proof of Series 44, and Fingerprint Card Information is current and accessible for this person on Web CRD®

MARKET MAKER AUTHORIZED TRADER

Full Name: _____ Date of Birth: _____

CRD No.: _____ Series 44 Qualification: Yes No

Form U4, Proof of Series 44, and Fingerprint Card Information is current and accessible for this person on Web CRD®

MARKET MAKER AUTHORIZED TRADER

Full Name: _____ Date of Birth: _____

CRD No.: _____ Series 44 Qualification: Yes No

Form U4, Proof of Series 44, and Fingerprint Card Information is current and accessible for this person on Web CRD®

MARKET MAKER AUTHORIZED TRADER

Full Name: _____ Date of Birth: _____

CRD No.: _____ Series 44 Qualification: Yes No

Form U4, Proof of Series 44, and Fingerprint Card Information is current and accessible for this person on Web CRD®

MARKET MAKER AUTHORIZED TRADER

Full Name: _____ Date of Birth: _____

CRD No.: _____ Series 44 Qualification: Yes No

Form U4, Proof of Series 44, and Fingerprint Card Information is current and accessible for this person on Web CRD®

MARKET MAKER AUTHORIZED TRADER

Full Name: _____ Date of Birth: _____

CRD No.: _____ Series 44 Qualification: Yes No

Form U4, Proof of Series 44, and Fingerprint Card Information is current and accessible for this person on Web CRD®

MARKET MAKER AUTHORIZED TRADER

Full Name: _____ Date of Birth: _____

CRD No.: _____ Series 44 Qualification: Yes No

Form U4, Proof of Series 44, and Fingerprint Card Information is current and accessible for this person on Web CRD®

PLEASE USE COPIES OF THIS FORM TO LIST ADDITIONAL MARKET MAKER AUTHORIZED TRADERS

APPLICATION FOR LEAD MARKET MAKER REGISTRATION

SECTION 4 – INFORMATION FOR LEAD MARKET MAKERS

LMMs are subject to all applicable State and Federal Laws, and the rules promulgated thereunder, as well as the Rules of NYSE Arca. To ensure compliance, please consult your compliance department and/or legal counsel to determine the rules that are applicable, including, but not limited to, those referenced below. In particular, you should determine whether Rules 6.82 and 6.83 apply to your firm, including the Information Barrier and reporting requirements.

NYSE Arca Rule 6.82(b): Qualification of Lead Market Makers

(1) Qualification of LMMs. The qualification of LMMs shall be conducted by the Exchange. The LMM Qualification Process is as follows:

(A) Applications for qualification as an LMM shall be general and shall not specify a particular option issue or issues. Applicants for qualification as an LMM may present any matter they wish the Exchange to consider in conjunction with its decision. The Exchange may require that presentation to be solely or partially in writing, and may require the submission of additional information from an applicant, OTP Holder or OTP Firm, or any person associated with an OTP Holder or OTP Firm.

(B) The Exchange may also specify one or more conditions on the applicant in respect to any representations made in the application process, including but not limited to representations regarding capital operations, personnel or technical resources.

NYSE Arca Rule 6.82(c): Obligations of Lead Market Makers

Each LMM must meet the following obligations:

- (1) Assure that disseminated market quotations are accurate;
- (2) Honor guaranteed markets, including markets required by Rule 6.86 and any better markets pledged during the allocation process;
- (3) Generate and automatically update two-sided market quotations with size in all appointed series either through the Exchange's auto-quoting system or through the LMM's own proprietary autoquoting system;
- (4) Fulfill general Market Maker obligations under Rule 6.37, 6.37A, and 6.37B;
- (5) Be accessible throughout every business day and, in addition, designate an approved LMM to act as a back-up LMM and notify a Trading Official of such designation;
- (6) With respect to trading as a Market Maker, effect trades that have a high degree of correlation with the overall pattern of trading for each series in the option issues involved;
- (7) Participate at all times in any automated execution system that is in effect in designated option issues;
- (8) LMMs are responsible for establishing the variables in the formula used to generate automatically updated quotations in each option issue or series. The LMM may disclose to the members of the trading crowd the following variables of the formula used to generate automatically updated market quotations in each option issue: (A) options pricing calculation model; (B) volatility; (C) interest rate; and (D) dividends (both declared and anticipated).
- (9) Promote the Exchange as a marketplace by assisting in meeting and educating market participants and taking the time for travel related thereto;
- (10) Maintain communications with member firms in order to respond to suggestions and complaints;
- (11) Respond to competition by offering competitive markets and competitively-priced services;
- (12) Maintain a cash or liquid asset position of at least \$350,000, plus \$25,000 for each issue over 8 issues that has been allocated to the LMM. In the event that two or more LMMs are associated with each other and deal for the same LMM account, this requirement will apply to such LMMs collectively, rather than to each LMM individually;
- (13) Fully satisfy conditions of appointments pursuant to Subsection (b)(1)(B) of this Rule;
- (14) Promptly inform the Exchange of any material change in financial or operational condition or in personnel

NYSE Arca Rule 6.83: Limitations on Dealings of Lead Market Makers

(a) No OTP Holder or OTP Firm, other than a Lead Market Maker ("LMM") acting pursuant to Rule 6.82, limited partner, officer, employee, approved person or party approved, who is affiliated with an LMM or OTP Holder or OTP Firm, shall, during the period of such affiliation, purchase or sell any option in which such LMM is appointed for any account in which such person or party has a direct or indirect interest. Any such person or party may, however, reduce or liquidate an existing position in an option in which such LMM is appointed provided that such orders are (i) identified as being for an account in which such person or party has a direct or indirect interest; (ii) approved for execution by a Trading Official; and (iii) executed by the LMM in a manner reasonably calculated to contribute to the maintenance of price continuity with reasonable depth. No order entered pursuant to this Subsection (a) shall be given priority over, or parity with, any order represented in the market at the same price.

(b) Notwithstanding the provisions of Rule 6.82, an approved person or OTP Holder or OTP Firm that is affiliated with an LMM shall not be subject to Rule 6.83(a), provided it has obtained Exchange approval of procedures restricting the flow of material non-public corporate or market information between itself and the LMM and any OTP Holder or OTP Firm, officer, or employee associated therewith.

(c) For such OTP Holder or OTP Firm that controls, is controlled by, or is under common control with another organization, the exemption provided in Subsection (b) of Rule 6.83 shall be available to it only where the Exchange has determined that the relationship between the LMM, each person associated therewith, and such other organization satisfies all the conditions specified in the Exemption Guidelines.

(d) The procedures referred to in Subsection (b) of Rule 6.83 shall comply with such guidelines as are promulgated by the Exchange.

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SECTION 5 – REQUIRED INFORMATION & ACKNOWLEDGEMENT

The undersigned, applying for registration as a Lead Market Maker, accepts full responsibility for having knowledge of and adhering to all applicable rules and regulations governing the trading facility of NYSE Arca, including its subsidiaries and affiliates. The undersigned acknowledges the following requirements:

1. Maintain the net capital requirements as prescribed by NYSE Arca Rule 4 and SEC Rule 15c3-1, whichever is greater. The net capital requirements apply only to the registered Lead Market Maker firm rather than to each MMAT individually.
2. Maintain a cash or liquid asset position of at least \$350,000, plus \$25,000 for each issue over 8 issues that has been allocated to the LMM. In the event that two or more LMMs are associated with each other and deal for the same LMM account, this requirement will apply to such LMMs collectively, rather than to each LMM individually.
3. The LMM’s clearing firm will provide daily equity information to the Financial and Operational Compliance Department for LMM cash or liquid asset position review.
4. Provide monthly financial statements consisting of FOCUS Form X-17A-5 to NYSE Arca’s Financial & Operational Compliance Department (“FOCD”) for Market Maker capital compliance review.
5. Provide detailed financial reports and such other operational reports to NYSE Arca’s FOCD as it may require.
6. Disclose promptly any material change in financial or operational condition, or in personnel in accordance with the rules and procedures of NYSE Arca.
7. Establish, maintain, and enforce written procedures to supervise the business in which it engages and to supervise the activities of its associated persons that are reasonably designed to ensure compliance with applicable federal securities laws and regulations and NYSE Arca’s rules. Such written procedures shall at all times be available for inspection by NYSE Arca staff.
8. Be responsible for designating an approved LMM to act as a backup LMM in our absence and notify the Corporation of such designation, pursuant to rule 6.82. The designated backup LMM must be an approved LMM in good standing and have sufficient capital to meet the capital requirements of the LMM being backed up, as well as their own. If necessary, more than one LMM may be needed or selected to act as an appropriate backup.

ADDITIONAL REQUIRED DOCUMENTS

In addition to the information requested in the OTP Application, the Applicant is requested to provide the following information, if it has not already done so:

- A copy of the Applicant’s written supervisory procedures for Market Making on NYSE Arca, Inc.
- A copy of the “Information Barrier” procedures required in NYSE Arca Rule 6.83
- A list of any other communication equipment that MMATs can access to route orders in securities to other markets for execution. Provide the location of such terminal(s) and a description of the use of the terminal(s) and the business transmitted through it.

AUTHORIZED ACKNOWLEDGEMENT OF THE CONTENTS HEREIN

The undersigned attests that the contents submitted on behalf of the Applicant are complete and agrees to update information as required. Further, the Applicant will abide by all rules of the Exchange, as may be amended from time to time.

Signature of authorized Officer, Partner,
Managing Member, or Sole Proprietor

Date

Print Name

Title

AUTHORIZED ACKNOWLEDGEMENT OF THE APPLICANT’S CLEARING FIRM

Signature of authorized Clearing Firm
Representative

Date

Print Name

Title

Clearing Firm

Clearing No.