



**Market Maker and Specialist
Orientation Manual**

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Market Making

Appointment of Market Makers

Market Makers may select from among any option issues traded on the Exchange for inclusion in their electronic Appointment, subject to the approval of the Exchange. In considering the approval of the Appointment of a Market Maker, the Exchange will consider financial resources, experience, and past performance in making markets and operational capability. The Exchange may appoint an unlimited number of Market Makers in each class. The Exchange reserves the right to limit the number of Market Makers appointed to a particular option class due to system constraints.

The number of issues a Market Maker or Specialist can trade is determined by the number of Amex Trading Permits (ATPs) acquired.

ATPs	Issues
1	100
2	250
3	750
4	All issues

Market Makers may change the option issues that are included in their Appointment periodically, subject to the approval of the Exchange. The ATP Holder has full discretion in distributing issues among its Authorized Traders and Market Makers. However, Market Makers and Specialists registered on the same ATP are not allowed to trade the same issue simultaneously.

Market Makers may withdraw from trading an option issue that is within their Appointment by providing the Exchange with a three business day written notice of such withdrawal. Market Makers who fail to give an advance written notice of withdrawal to the Exchange may be subject to disciplinary action.

Quoting Obligations

Within Market Maker Appointment

All Market Makers must contribute to the maintenance of a fair and orderly market. Market Makers must honor the number of contracts entered into the system in all series of options classes within their Appointment. Any change to a quote (including reduction of volume) causes the quote to lose priority. The minimum size is one contract. Neither Specialists nor MMs are required to quote on the Opening Auction.

Specialists

Specialists must provide continuous two-sided quotes 90% of the time during which the Exchange is open for trading in each of their appointed issues. These obligations will apply to all of the Specialist's appointed issues collectively, rather than on an issue-by-issue basis. Compliance with this obligation will be determined on a monthly basis. The Exchange will not consider the duration of any periods where a technical failure on the part of the Exchange prevents the Specialist from providing continuous quotations. Also, the Exchange retains the discretion to consider other exceptions to this continuous electronic quote obligation based on demonstrated legal or regulatory requirements or other mitigating circumstances.

Market Makers

Market Makers must provide continuous two-sided quotations 60% of all times during which the Exchange is open in each of their appointed issues. These obligations are applied collectively to all series for each issue in the Market Maker's Appointment. Although Market Makers are not required to quote in each series, the amount of time a Market Maker provides quotes in all series will be aggregated to determine compliance with the quoting obligation requirement. Additionally, compliance with the 60% quoting obligation is measured on a monthly basis.

A Market Maker may be called upon by a Trading Official to submit a single quote or maintain continuous quotes in one or more series of an option issue within its Appointment whenever it is deemed that it is necessary to do so in the interest of maintaining a fair and orderly market.

Directed Order Market Makers

A Directed Order Market Maker must provide continuous two-sided quotations throughout the trading day in issues for which it receives Directed Orders for 90% of the time the Exchange is open for trading in each issue. Such quotations must meet the legal quote width requirements as shown below. These obligations will apply collectively to all series in all of the issues for which the Directed Order Market Maker receives Directed Orders, rather than on an issue-by-issue basis. Compliance with this obligation will be determined on a monthly basis.

Quote Width

Other than for the open outcry market the spread differential (difference between the bid and offer) of Specialist and Market Maker quotes may not exceed \$5. For quotes given in open outcry, spread differentials shall be as follows:

Bid Price	Maximum Range
0 to \$1.99	\$0.25
\$2.00 to \$5.00	\$0.40
\$5.01 – \$10.00	\$0.50
\$10.01 – \$20.00	\$0.80
\$20.01 or greater	\$1.00

Quote Mitigation

NYSE Amex's quote mitigation policy is based on the premise that quotes in inactive series are less valuable than those in active series. Active options series are defined as the following:

- the series has traded on any options exchange in the previous 14 calendar days; or,
- the series is solely listed on NYSE Amex; or
- the series has been trading 10 days or less; or
- the Exchange has an order in the series

Series that fall outside of these categories are deemed inactive, and the Exchange does not disseminate quotes to OPRA. If the series trades on any exchange or if NYSE Amex receives an order or request for a quote, then the series is activated and quote dissemination is resumed. This policy applies to all issues listed on the Exchange.

Trading Obligations

At least 75% of the trading activity of a Specialist and/or a Market Maker (measured in terms of contract volume per quarter) must be in classes within the Market Maker's Appointment.

Market Makers and Specialists cannot stream quotes in issues outside their Appointment. Market Makers who wish to trade outside their Appointment may do so by entering an order. Market Makers should consult their Clearing Firm for information related to margin treatment of orders vs. quotes.

When trading in issues outside their Appointment, Market Makers should not engage in transactions for an account in which they have an interest that are disproportionate in relation to, or in derogation of, the performance of their obligations with respect to the classes in their Appointment. Additionally, Market Makers should not individually (or as a group) intentionally or unintentionally, dominate the market in option contracts of a particular class.

Specialist Guarantees

Specialists will be entitled to 40% of the balance of any non-directed order after Customer bids and offers in the Consolidated Book have been satisfied. Specialists will be entitled to their 40% participation on "open outcry" trades provided they have vocally responded to a Floor Broker's call for a market, and have responded with a price that is the best bid or offer. . Specialist participation may be greater than 40% as a result of successful competition by means of "open outcry."

Market Maker Risk Limitation (MMRL)

NYSE Amex will maintain a "trade counter" for each Market Maker in each class within the Market Maker's Primary Appointment. The trade counter will be incremented by one every time the Market Maker executes a trade on any series in the appointed class. The MMRL is configurable by the Market Maker and will be activated when the trade counter has reached "n" executions within one second. This counter applies to trades against Market Maker quotes only; it does not apply to trades against Market Maker orders. The minimum setting is 5 executions per second and the maximum is

100. The Exchange will automatically default the “n” setting to 50 executions per second if the Market Maker does not submit a setting.

When the threshold is met, the trading engine will automatically cancel all quotes posted by the Market Maker in that class by generating a “bulk cancel” message. The bulk cancel message will be processed in time priority with any other quote or order message received by NYSE Amex. Any orders or quotes that are matched with the Market Maker’s quote and were received by the system prior to the receipt of the bulk cancel message will be executed. Orders or quotes received by NYSE Amex after receipt of the bulk cancel message will not be executed against the Market Maker. Once the MMRL has been activated for an option class, any bulk quote messages sent by the Market Maker on that class will be rejected until the Market Maker submits a system message to enable new quotes.

In the event that there are no Market Makers quoting in the issue, the best bids and offers of orders residing in the Book will be disseminated as the BBO. If there are no Market Maker quotes and no orders in the book, the Exchange will disseminate a bid of zero and an offer of zero.

Inter-Market Linkage/Private Routing

The U.S. Options Exchanges are linked together on a real-time basis through a network capable of transporting certain orders to and from each Exchange. The network, known as Linkage, is a centralized order routing hub operated by the Options Clearing Corporation (“OCC”) on behalf of the Exchanges. Linkage was designed to provide a mechanism to reach the NBBO price on behalf of Customer orders when the price was only available at an away market.

The NYSE Amex trading system will automatically route orders to other Exchanges if the NBBO is not available on NYSE Amex. Unlike other markets, however, NYSE Amex primarily uses private routing brokers to route orders to other Market Centers based on preset parameters in its automated routing algorithm. This allows NYSE Amex to route regardless of order capacity (Customer, Firm, Customer Broker/Dealer, Market Maker).

Consistent with the Options Linkage Plan, locked and crossed markets are to be avoided. If a Market Maker’s quote should lock or cross another market center’s quote, the MM should either (a) promptly unlock or uncross the market, or (b) cause an order to be sent to the away exchange in order to move the market. This may be done through a MM’s own order entry system directly to the away market, or by submitting an order to NYSE Amex to route to any markets at the NBBO. A NOW order submitted to NYSE Amex will route to any markets at the NBBO, but will not rest in the NYSE Amex book if not filled.

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Trade Allocation

Display, Priority, and Order Allocation – Electronic Trading

The NYSE Amex System shall display to Users all non-marketable limit orders in the Display Order Process, unless indicated otherwise. The System also will disseminate current consolidated quotations/last sale information, and such other market information as may be made available from time to time pursuant to agreement between the Exchange and other Market Centers, consistent with the Plan for Reporting of Consolidated Options Last Sale Reports and Quotation Information.

Priority and Allocation Procedures for Orders and Quotes

Orders and quotes are allocated according to the following order of priority:

(1) Price Priority. The highest bid has priority over all other bids; and the lowest offer has priority over all other offers.

(2) Multiple bids or offers at the same price. Multiple bids and offers at the same price are afforded priority based on account type and other principles, as set forth below:

(A) Customer Orders. Bids and offers in the Consolidated Book for Customer accounts, including the displayed portion of Customer Reserve Orders, have first priority over other bids or offers at the same price. If there is more than one highest bid for a Customer account or more than one lowest offer for a Customer account, then such bids or offers, respectively, will be ranked based on time priority.

(B) Directed Order Market Maker Guaranteed Participation. Bids and offers in the Consolidated Book for the account of a Directed Order Market Maker have second priority for Directed Orders if the Directed Order Market Maker is eligible to receive guaranteed participation on such bid or offer pursuant to Rule 964.1NY.

(i) Directed Order Market Makers will not receive any guaranteed participation on an inbound order if their bids or offers are not at the NBBO.

(ii) A Directed Order Market Maker's guaranteed participation is expressed as a percentage of the remaining quantity after all Customer orders, if any, have first been executed, and shall be 40% or such lower number as may be determined by the Exchange.

(iii) Directed Order Market Maker will be allocated a number of contracts equal to the greater of the guaranteed participation or their "size pro rata" allocation as

provided below, but in either case, no greater than the size of the Directed Order Market Maker's disseminated size.

(C) Specialist Pool Guaranteed Participation. Bids and Offers in the Consolidated Book for the account of participants in the Specialist Pool have third priority if the Specialist Pool is eligible to receive guaranteed participation on such bid or offer pursuant to Rule 964.2NY. The Specialist Pool will not receive a guaranteed allocation if a Directed Order Market Maker has received a guaranteed allocation. If a Directed Order Market Maker has received a guaranteed allocation, the bids and offers of the Specialist Pool will be included in the "size pro rata pool" below.

- (i) The Specialist Pool guaranteed participation will not receive any portion of an inbound order if their bids or offers are not at the NBBO.
- (ii) The Specialist Pool's guaranteed participation is expressed as a percentage of the remaining quantity after all Customer orders, if any, have first been executed, and shall be 40% or such lower number as may be determined by the Exchange.
- (iii) Specialist Pool will be allocated a number of contracts equal to the greater of the guaranteed participation or their "size pro rata" allocation as provided below, but in either case, no greater than the size of the Specialist Pool's disseminated size.
- (iv) For all orders of five (5) contracts or fewer, the Specialist Pool will be allocated the balance after any allocation to Customers, provided the Specialist Pool is quoting at the NBBO, and the order was not originally allocated to a Directed Order Market Maker. The participants in the Specialist Pool will be allocated orders of five contracts or less on a rotating basis, provided the participant's quoted size is equal to or greater than the size of the allocation.

(D) Non-Customer Orders and Quotes with Size. Orders and Quotes with Size in the Consolidated Book for the accounts of non-Customers have next priority. If there is more than one highest bid or more than one lowest offer in the Consolidated Book for the account of a non-Customer, then such bids or offers will be afforded priority on a "size pro rata" basis, and will comprise the "size pro rata pool".

(E) Orders in the Working Order File, if eligible for execution, have next priority; however, orders in the Working Order File do not have any priority or standing until they are eligible for execution and/or display.

(F) Tracking Orders have last priority and will interact with incoming orders when certain conditions are met, but will never become part of the Display Order Process.

(3) Size Pro Rata Allocation

Orders subject to allocation on a "size pro rata" basis will be allocated based on the following formula:

$$\frac{\text{(Size or Order to be Allocated)}}{\text{(Aggregated Quote Size)}} \times \frac{\text{(Participant's Quote Size)}}{\text{(Aggregated Quote Size)}} = \text{Size Pro Rata Allocation}$$

For example:

200 contracts to be allocated among three Market Makers quoting with the following sizes:

MM1	100
MM2	200
MM3	500
Aggregated Quote Size	800

MM1 receives $(200/800) \times (100) = 25$ contracts

MM2 receives $(200/800) \times (200) = 50$ contracts

MM3 receives $(200/800) \times (500) = 125$ contracts

The pro rata share allocated to each participant in the pool will be rounded down to a whole number, if applicable. If there are residual contracts to be filled after the pro rata calculation has been completed, such contracts will be allocated, with no more than one contract per participant, in the following sequence:

- (i) The participant in the pool who has the largest fractional amount (based on the pro rata calculation) will receive the first contract, and each successive contract (if any) will be allocated to each subsequent participant who has the next largest fractional share.
- (ii) If the last residual contracts are to be allocated between two or more participants with the same fractional amount and initial quote size, then the participant with the first time priority in the pro rata pool will be allocated the next contract. Each successive contract (if any) will be allocated in the same manner.

Size Pro Rata Allocations – Open Outcry Trading

If the ATP Holders of the trading crowd provide a collective response to an ATP Holder's request for a market in order to fill a large order, pursuant to Rule 925NY, then:

- (i) if the size of the trading crowd's market, in the aggregate, is less than or equal to the size of the order to be filled, the ATP Holders of the trading crowd will each receive a share of the order that is equal to the size of their respective bids or offers; and
- (ii) if the size of the trading crowd's market exceeds the size of the order to be filled, that order will be allocated on a size pro rata basis, with the ATP Holders of the trading crowd each receiving, to the extent practicable, the percentage of the order that is the ratio of the size of their respective bids or offers to the total size of all bids or offers. Specifically, in such circumstances, the size of the order to be allocated is multiplied by the size of an individual market participant's quote divided by the aggregate size of all market participants' quotes.

For example, assume there are 200 contracts to be allocated, Market Maker #1 is bidding for 100, Market Maker #2 is bidding for 200 and Market Maker #3 is bidding for 500. Under the "size pro rata" allocation formula, Market Maker #1 will be allocated 25 contracts ($200 \times 100 \div 800$); Market Maker #2 will be allocated 50 contracts ($200 \times 200 \div 800$); and Market Maker #3 will be allocated 125 contracts ($200 \times 500 \div 800$).

Specialist Participation in the Display Order Process

Bids and Offers of Specialists and e-Specialists quoting at the NBBO shall participate in the Specialist Pool participation entitlement on a size pro rata basis. The Specialist's size pro-rata participation in the Specialist Pool will receive additional weighting, as determined by the Exchange, and announced via Regulatory Bulletin, but in no case greater than 66 2/3% if there is only one e-specialist, and no more than 50% if there are two or more e-Specialists.

For all orders of five (5) contracts or fewer, the Specialist Pool will be allocated the balance after any allocation to Customers, provided the Specialist Pool is quoting at the NBBO, and the order was not originally allocated to a Directed Order Market Maker. The participants in the Specialist Pool will be allocated orders of five contracts or less on a rotating basis, provided the participant's quoted size is equal to or greater than the size of the allocation.

Executions

This section addresses situations in which orders or Quotes with Size are executed through NYSE Amex System.

An inbound order that is marketable will be immediately executed against bids and offers in the Consolidated Book, provided the execution price is at the NBBO.

An inbound order will be either fully or partially executed as follows:

- (A) the inbound order will first be matched against all available displayed Customer interest in the Consolidated Book, including the displayed portion of Customer Reserve Orders;
- (B) the inbound order, if not entirely filled, will then satisfy any available interest based on Directed Order Market Maker or Specialist Pool guaranteed participation pursuant to Rule 964NY(a);
- (C) the inbound order, if not entirely filled, will then match, on a size pro rata basis, with the interest of the Market Makers, Firms and Non-ATP Holder Market Makers in the Consolidated Book; and
- (D) The inbound order, if not entirely filled, shall be matched for execution against orders in the Working Order File in the order of their ranking, at the price of the displayed portion (for Reserve Orders) or at the limit price in the case of other order types, for the total amount of option contracts available at that price or for the size of the incoming bid or offer, whichever is smaller.
- (E) the balance of the order, if any, will then be either:
 - (i) executed at the next available price level based on split-price execution, as provided in subsection below or
 - (ii) if the order locks or crosses the NBBO, it will be matched against any available Tracking Order, prior to being routed, or
 - (iii) if the order locks or crosses the NBBO, it will be routed via routing broker or the intermarket linkage to the away market(s) displaying the National Best Bid or Offer

Price. The order will be routed according to a proprietary algorithm. The order will be routed, either in its entirety or as component orders, to another Market Center(s) as a Limit Order equal to the price and up to the size of the quote published by the Market Center(s). The remaining portion of the order, if any, will be ranked and displayed in the Consolidated Book in accordance with the terms of such order and such order shall be eligible for execution pursuant to Rule 964NY. A marketable Reserve Order may be routed serially as component orders, such that each component corresponds to the display size of the Reserve Order.

If neither of the conditions specified in subsections (i) or (ii) apply, and the order is no longer marketable, or, if an order has been designated as an order type that is not eligible to be routed away, the order either will be placed in the Consolidated Book or cancelled if such order would lock or cross the NBBO.

Where an order or portion of an order is routed away and is not executed either in whole or in part at the other Market Center, upon its return the order shall be ranked and displayed in the Consolidated Book in accordance with the terms of such order. The order will not have time standing relative to other orders received from Users at the same price while it was outside the System.

Split Price Executions

An inbound electronic order will receive an execution at multiple prices if there is some, but insufficient, trading interest at a price and the remainder of the order can be filled at one (or more) other prices based on available trading interest in the Consolidated Book. Orders will not be executed at a price that trades through another market. Executions at prices beyond the initial execution prices will match the inbound order:

- (1) first, against Customer Orders in the Consolidated Book at the price level according to entry time.
- (2) second, against the interest of the Market Makers, Firms and Non-ATP Holder Market Makers in the Consolidated Book, on a size pro rata basis.
- (3) third, if the order now locks the NBBO, against any eligible Tracking Orders.

The balance of the order, if any, will be represented in the Consolidated Book, provided that if such order locks or crosses the NBBO, then the order will be routed via private routing broker or the Intermarket Linkage to the away market(s) displaying the National Best Bid or Offer Price. If Exchange Rules or the order instructions do not permit routing the order will be cancelled.

Orders Executed Manually

Floor Brokers manually representing orders in the trading crowd must comply with the order execution and priority principles set forth in Rule 963NY and, in addition, with the following provisions establishing priority for bids and offers by account type:

- (1) Customer orders in the Consolidated Book have first priority. Multiple Customer orders at the same price are ranked based on time priority.
- (2) Bids and offers of the ATP Holders of the trading crowd have second priority. These bids and offers include those made by Market Makers and Floor Brokers (on behalf of orders they are representing).
- (3) Bids and Offers of broker-dealers (including Quotes with Size and orders of Market Makers) in the Consolidated Book have third priority. Multiple bids and offers of broker-dealers will be executed on a size pro rata basis pursuant to Rule 964NY.

Locked or Crossed Markets

Internally locked or crossed quotes trade immediately with orders or other quotes on NYSE Amex when executions are possible. The system will not delay or prevent Market Maker quotes from trading with orders or other Market Maker quotes. NYSE Amex posts and disseminates quotes that lock or cross the quotes of other options exchanges. Individual market makers are responsible for taking appropriate actions to avoid locking or crossing other exchange's markets as required by Intermarket Linkage rules.

Open Outcry Floor-Based Crossing

Five manual crossing scenarios are available: Customer-to-Customer, Non Facilitation Regular, Facilitation, At-Risk, and Solicitation. All scenarios require that any Agency Order is executed at a price equal to or better than the NBBO, and the Floor Broker may not trade through any orders on the Book.

(a) Customer-to-Customer Cross

A Floor Broker who holds a Customer order to buy and a Customer order to sell the same option contract may cross such orders, provided that the Floor Broker proceeds in the following manner:

- (1) the Floor Broker must request bids and offers for the option series involved and make the Trading Crowd and the Trading Official aware of the request for the market via open outcry.
- (2) After providing an opportunity for such bids and offers to be made, the Floor Broker must bid above the highest bid in the crowd, and offer below the lowest offer in the crowd.
- (3) The Floor Broker may cross the orders at such higher bid and lower offer by announcing by open outcry that he is crossing orders on behalf of Customers, and giving the quantity and price, provided, however, that
 - (A) the execution price must be equal to or better than the NBBO.
 - (B) the Floor Broker may not trade through any bids or offers in the Consolidated Book that are priced better than the proposed execution price. If there are bids or offers on the Consolidated Book better than the proposed execution price, or Customer Orders in the

Consolidated Book priced at the proposed execution price, the Floor Broker must trade against such bids or offers in the Consolidated Book. Once such bids or offers in the Consolidated Book are satisfied, the Floor Broker may cross the balance of the orders, if any, to be crossed. The orders will be cancelled or posted in the Book if an execution would take place at a price that is inferior to the NBBO.

(C) the Floor Broker may cross the orders at split prices provided all provisions of Rule 963NY(f) are met.

(b) Non-Facilitation (Regular Way) Crosses.

A Floor Broker who holds a Customer order and another order on the contra side of the Customer in the same option contract may cross such orders, provided that the Floor Broker proceeds in the following manner:

- (1) The Floor Broker must request bids and offers for the option series involved and make the trading crowd and the Trading Official aware of the request for a market via open outcry.
- (2) After providing an opportunity for such bids and offers to be made, the Floor Broker must expose the Customer order by bidding above the highest bid in the crowd, or offering below the lowest offer in the crowd, by at least the MPV.
- (3) If such higher bid or lower offer is not taken by members of the trading crowd, the Floor Broker may cross the orders (or any part remaining unexecuted) at such higher bid or lower offer by announcing by open outcry that he is crossing the orders and giving the quantity and price; provided, however that (A) the execution price must be equal to or better than the NBBO, and (B) the Floor Broker may not trade through any bids or offers on the Consolidated Book that are priced better than the proposed execution price. If there are bids or offers in the Consolidated Book better than the proposed execution price, or Customer Orders in the Consolidated Book priced at the proposed execution price, the Floor Broker must trade against such bids or offers in the Consolidated Book. Once bids or offers in the Book are satisfied, the Floor Broker may cross the balance of the orders, if any, to be crossed. The orders will be cancelled or posted in the Book if an execution would take place at a price that is inferior to the NBBO.

Facilitation Cross Transactions

A Floor Broker who holds both an order for a Customer of an ATP Holder and a facilitation order may cross such orders if:

- (1) the ATP Holder discloses on its order ticket for the Customer order which is subject to facilitation, all the terms of such order, including, if applicable, any contingency involving other options, underlying securities, or related securities; and
- (2) the Floor Broker requests bids and offers for the option series subject to facilitation, then discloses the Customer order and any contingency respecting such order which is subject to facilitation and identifies the order as being subject to facilitation; and
- (3) after providing an opportunity for such bids and offers to be made, the Floor Broker, on behalf of the Customer whose order is subject to facilitation establishes priority by, either bidding or offering at or between the best bid or offer in the market consistent with the

Exchange's Customer priority rules. After all other market participants are given an opportunity to accept the bid or offer made on behalf of the Customer whose order is subject to facilitation, the Floor Broker may cross all or any remaining part of such order and the facilitation order at such Customer's bid or offer by announcing in public outcry that (s)he is crossing such orders stating the quantity and price(s).

(4)

(A) notwithstanding paragraph (3) above, an ATP Holder seeking to facilitate its own Customer's option order for the eligible order size will be permitted to participate in the firm's proprietary account as the contra-side of that order to the extent of 40% of the contracts remaining after filling Customers, provided the order trades at or between the best bid or offer given by the trading crowd in response to the Floor Broker's request for a market.

If, however, a Customer order on the Consolidated book or represented in the trading crowd has priority over the facilitation order, the ATP Holder may participate in only those contracts remaining after the Customer's order has been filled.

(B) the eligible order size shall be 50 contracts or larger.

(C) If a trade pursuant to this Rule occurs at the Specialist's vocalized bid or offer in its appointed class, then the Specialist's guaranteed participation shall apply only to the number of contracts remaining after all those Customer orders which trade ahead of the cross transaction and the number of contracts crossed have been satisfied. The Specialist's guaranteed participation will be a percentage that when combined with the percentage the originating firm crossed, does not exceed 40% of the order.

(D) nothing in this subparagraph (4) is intended to prohibit an ATP Holder or Specialist from trading more than their guaranteed participation allocations if the other members of the trading crowd choose not to trade the remaining portion of the order.

When accepting a bid or offer made on behalf of a Customer whose order is subject to facilitation, all contingencies of the Customer order must be satisfied. Once the bid or offer has been made on behalf of the Customer whose order is subject to facilitation or crossing, such Customer order has precedence over any other bid or offer in the crowd to trade immediately with the facilitation order.

At-Risk Cross Transactions

In the case of equity options, a Floor Broker holding an order for a Customer on behalf of an ATP Holder and a contra-side order for that same ATP Holder may facilitate the Customer order in accordance with Rule 934.1NY or may execute such orders as an at-risk cross in the following manner:

- (i) the eligible order size shall not be less than fifty (50) contracts.
- (ii) the ATP Holder discloses on its order ticket for the Customer order which is subject to the cross, all the terms of such order, including, if applicable, any contingency involving other options, underlying securities, or related securities.
- (iii) the Floor Broker requests bids and offers from the trading crowd for the execution of all options components of the order.

- (iv) in response to the quoted market from the trading crowd, the Floor Broker on behalf of the ATP Holder must first represent the Customer order to the trading crowd as Customer providing the side, size and a price of the order, giving the Customer an opportunity for price improvement.
- (v) once the trading crowd has provided a quote in response to the Customer order, it will remain in effect until: (i) a reasonable amount of time has passed, (ii) there is a significant change in the price of the underlying security or (iii) the market given in response to the request has been improved. In the case of a dispute, the term "significant change" will be interpreted on a case-by-case basis by Trading Officials based upon the extent of the recent trading in the option and in the underlying security, and any other relevant factors.
- (vi) in response to the trading crowd's quoted market, the Floor Broker may on behalf of the ATP Holder improve the quoted market establishing priority or facilitate the order pursuant to Rule 934.1NY.
- (vii) the Floor Broker may then attempt to consummate a cross transaction at risk to the market by bidding/offering on behalf of the ATP Holder at one minimum price variation (MPV) away from the Customer order, providing the Customer order the opportunity for price improvement.

If a Customer order has established priority over the at-risk cross, the ATP Holder may participate in those contracts remaining after the Customer's order has been filled.

Once a cross transaction has occurred, the order cannot be broken up by a subsequent superior bid or offer by the trading crowd.

Solicitation Crosses

A Floor Broker representing an order in options ("originating order") may solicit another ATP Holder or non-member broker dealer outside the trading crowd ("solicited party") to participate in the transaction on a proprietary basis provided the Floor Broker, upon entering the trading crowd to execute the transaction, announces to the trading crowd the same terms and conditions about the originating order as disclosed to the solicited party and bids at the price he is prepared to buy from the solicited party or offers at the price he is prepared to sell to the solicited party.

After all other market participants are given a reasonable opportunity to accept the bid or offer, the solicited party may accept all or any remaining part of such order or the Floor Broker may cross all or any remaining part of the originating order with the solicited party at such bid or offer by announcing that the Floor Broker is crossing the orders stating the quantity and price. Non-solicited market participants and Floor Brokers holding non-solicited discretionary orders in the trading crowd will have priority over the solicited party or the solicited order to trade with the original order at the best bid or offer price subject to the precedence rules set forth in Rule 963NY.

A Floor Broker seeking to cross a Customer order with a solicited order which improves the quoted market will be permitted to cross the solicited order against the Customer order to the extent of 40% of the contracts remaining after filling Customers, provided the eligible order size for the solicited order is not less than fifty (50) contracts.

All orders subject to solicitation pursuant to this Commentary, and all tickets reflecting orders solicited pursuant to this Commentary, must be marked as specified by the Exchange. For purposes of this Rule, the term "broker/dealer" includes foreign broker/dealers.

When accepting a bid or offer made on behalf of a Customer whose order is subject to crossing against the solicited order, all contingencies of the Customer order must be satisfied. Once the bid or offer has been made on behalf of the Customer whose order is subject to crossing, such Customer order has precedence over any other bid or offer in the crowd to trade immediately with the solicited order.

3

Opening Auction

Description

At 3:30 a.m. Eastern Time, the system will begin accepting quotes and orders for inclusion in the Opening Auction process. The Opening Auction is a process whereby trading is initiated in each series. Contingency Orders (other than “On- Auction” orders) will not participate in the Auction Process. Any eligible open orders residing in the Book from the previous trading session (GTC’s) will be included in the Opening Auction. After the primary market for the underlying security disseminates the opening trade and a logical bid/ask market, the related option series will be opened automatically based on the following:

1. Time is equal to or greater than 9:30 a.m. Eastern Time.
2. At least one legal width NYSE Amex Market Maker quote that has made a round trip to OPRA or a legal-width away exchange market quote is present and includes an offer.

Once these requirements have been met, the system will determine the price at which a particular option series will be opened.

To determine the opening price in a series, upon receipt of the first consolidated trade of the underlying security, the system will check for an OPRA NBBO market or an NYSE Amex BBO. If OPRA NBBO market is present, NYSE Amex will base the opening auction price on the better of the OPRA NBBO market or the internal NYSE Amex BBO. NYSE Amex will generate an opening trade if possible or open a series on the quoted market. NYSE Amex then will send the BBO quote to OPRA.

The opening price is determined as the price at which the most volume can be traded, within the auction parameter. The auction will occur at a single price.

1. The opening prices must be within a configurable parameter based on:
 - The Best Bid (MM quotes only) or National Best Bid
 - The Best Offer (MM quotes only) or National Best Offer
2. In the case of crossed markets on NYSE Amex and no OPRA, parameter to either side of *the inverted market* will be used. e.g. 1.20 - 1.00 yields parameter based on 1.20 for buy imbalances and 1.00 for sell imbalances. If no auction occurs, no opening trade will be reported to OPRA.

For cases when no buy or sell imbalance exists, the opening price of a series will be the price at which the greatest number of contracts will trade at or nearest to the midpoint of the initial NBBO disseminated by OPRA, if any, or the midpoint of the best quoted bids and offers in the Book. The same process will be followed to reopen an option class after a trading halt.

In cases where a buy or sell imbalance exists, the auction will take place on the auction parameter bid (sell imbalances) or the auction parameter offer (buy imbalances). Orders in the Book that were not executed during the Auction Process will be eligible for the Core Trading Session immediately after the conclusion of the Auction Process.

Unmatched orders and Market Maker quotes that are marketable against the initial NBBO (“auction imbalance”) will “sweep” through the Book with collar protection in place to prevent executions based on wide quotes and be executed pro rata if marketable against quotes or orders resting on the NYSE Amex consolidated book. If the best price is at an away Market Center(s), orders will be routed away in price time priority to the relevant Market Center(s).

4

Obvious Errors

Description

The Exchange shall either bust a transaction or adjust the execution price of a transaction that results from an Obvious Error, as defined herein. An Obvious Error will be deemed to have occurred when the execution price of a transaction is higher or lower than the Theoretical Price for the series by an amount equal to at least the amount shown below:

Theoretical Price Amount	Minimum
Below \$2	.25
\$2 to \$5	.40
Above \$5 to \$10	.50
Above \$10 to \$20	.80
Above \$20	1.00

The Theoretical Price of an option is determined as follows:

- (A) if the series is traded on at least one other options exchange, the last bid price with respect to an erroneous sell transaction and the last offer price with respect to an erroneous buy transaction, just prior to the trade, disseminated by the competing options exchange that has the most liquidity in that option; or
- (B) if there are not quotes for comparison purposes, as determined by designated personnel of the Exchange.

If a Market Maker believes that it participated in a transaction that was the result of an Obvious Error, it must notify the Exchange within five minutes of the execution. If an ATP Holder or ATP Firm not serving as a Market Maker believes that an order it executed on the Exchange was the result of an Obvious Error, it must notify the Exchange within twenty minutes of the execution. With few exceptions, the Exchange will not grant relief unless notification is made within the prescribed time periods.

Customers must notify the Exchange within 20 minutes of the trade if they believe an execution was part of an obvious error. They have until 4:30 PM Eastern time to notify the Exchange of possible obvious errors on the opening auction.

If it is determined that an Obvious Error has occurred, the Exchange shall promptly notify both parties to the trade. When each party to the transaction is a Market Maker, the execution price of the transaction will be adjusted by the Exchange to the prices described below unless both parties agree to adjust the transaction to a different price or agree to bust the trade within ten minutes of being notified by the Exchange of the Obvious Error.

Erroneous buy transactions will be adjusted to their Theoretical Price plus \$.15 if the Theoretical Price is under \$3 and plus \$.30 if the Theoretical Price is at or above \$3.

Erroneous sell transactions will be adjusted to their Theoretical Price minus \$.15 if the Theoretical Price is under \$3 and minus \$.30 if the Theoretical Price is at or above \$3.

When at least one party to the transaction is not a Market Maker, the trade will be busted unless both parties agree to an adjustment price for the transaction within thirty minutes of being notified by the Exchange of the Obvious Error.

Review Procedures – Parties to obvious errors may request that the Obvious Error Panel ("OE Panel") review decisions made by the Exchange including whether an obvious error occurred and whether the correct action was implemented. The OE Panel will be comprised of the NYSE Amex Chief Regulatory Officer ("CRO"), or a designee, and a representative from two (2) different ATP Firms. One representative on the OE Panel will be from a Market Maker Firm and one representative will be from a public customer order sending Firm. The OE Panel may overturn or modify an action taken by the Exchange under this Rule and all determinations shall constitute final action. If the OE Panel votes to uphold the decision the Exchange will assess a \$500.00 fee against the party or parties who initiated the request for appeal.

5

Order Types

NYSE Amex unique order types

Order Type	Descriptions
NOW	A Market or Limit Order that is to be immediately executed in whole or in part on NYSE Amex while any unexecuted portion will be routed to other exchanges for immediate execution. Any portion not immediately executed by the other exchange shall be cancelled. NOW orders never rest on the book. If a NOW Order is not marketable on any exchange when it is submitted to NYSE Amex, it will be cancelled. Similar to an Immediate or Cancel (IOC), a NOW order will not only trade against available volume at a price on NYSE Amex, but has the added benefit of also immediately routing to access all available liquidity on any exchange prior to cancelling. Users access all available volume across all exchanges at your price on an immediate or cancel basis.
Post No Preference (PNP)	A Limit Order that is to be executed in whole or in part on NYSE Amex with no possibility of exposure to routing away from NYSE Amex. Any portion not executed is posted in the NYSE Amex Book unless another exchange is at a better price.. PNP Orders that would lock or cross the National Best Bid and Offer (NBBO) will be cancelled. PNP orders are most commonly used in Post/Take pricing issues, giving users greater control in achieving or maintaining eligibility for the posting credit.
Reserve	A Limit Order with a portion of the size displayed and with a reserve portion of the size that is not displayed on NYSE Amex. This allows users to maintain a presence in the market without repeatedly entering orders, allowing them to incrementally work large orders on a completely electronic basis.

Industry standard order types

All or None (AON)	A Limit Order that is to be executed in its entirety or not at all. Non-marketable AON orders will rest in the working book but not be displayed. AON orders will not route to other exchanges.
Day Order	An order to buy or sell which, if not executed, expires at the end of the day on which it was entered. All orders by their terms are Day Orders unless otherwise specified.

Fill or Kill (FOK)	A Market or Limit Order that is to be executed in its entirety on NYSE Amex as soon as the order is received, and if not so executed is to be cancelled. FOK orders will not route to other exchanges.
Good till Cancelled Order (GTC)	An order to buy or sell that remains in force until the order is filled, cancelled or the option contract expires. GTC Orders will be cancelled in the event of a corporate action that results in an adjustment to the terms of the option contract.
Immediate or Cancel (IOC)	A Market or Limit Order immediately executed, in whole or part on NYSE Amex, with the unexecuted amount cancelled. IOC orders are not routed to other exchanges.
Limit	Limit Orders that cannot be filled in their entirety at the NBBO on NYSE Amex will be routed to other exchanges. Any unfilled portion of the order will not be routed to the next best price level until all quotes at the current best bid or offer are exhausted. If the order is no longer marketable it will be ranked in the NYSE Amex Book.
Market	An order to buy or sell a stated number of contracts that is to be executed at the best price obtainable when the order reaches NYSE Amex. If the order cannot achieve the NBBO on NYSE Amex, it will be routed to other exchanges.
Stop	A Stop Order becomes an active Market Order when the stop price is reached. A Stop Order to buy is triggered when the option is 1) bid on NYSE Amex or 2) trades on NYSE Amex or any exchange at or above the specified stop price. A Stop Order to sell is activated when the option is 1) offered on NYSE Amex or 2) trades on NYSE Amex or any exchange at or below the specified stop price. Order execution is fully automated.
Stop Limit	A Stop Limit Order becomes an active Limit Order when the stop price is reached. A Stop Limit Order to buy is triggered when the option is 1) bid on NYSE Amex or 2) trades on NYSE Amex or any exchange at or above the specified stop limit price. A Stop Limit Order to sell is activated when the option is 1) offered on NYSE Amex or 2) trades on NYSE Amex or any exchange at or below the specified stop limit price. Order execution is fully automated. If the active limit order is not marketable it will post in the NYSE Amex Book.

6

Amex Trading Permits

Description

Trading rights are granted through Amex Trading Permits (ATPs); market participants are not required to purchase or lease seats. These permits entitle holders of ATPs to trade options on the options trading facilities of the Exchange, including the electronic platform and the physical trading floor. The NYSE Amex platform provides for of the following Market Participants: Specialists, Market Makers, Authorized Traders and Order Flow Providers.

Market Makers

A Market Maker is an ATP Holder or ATP Firm registered with the Exchange for the purpose of submitting quotes electronically and making transactions as a dealer-specialist. Market Makers can operate on or off the Exchange trading floor.

Floor Market Maker. A Floor Market Maker is a registered Market Maker who makes transactions as a dealer-specialist while on the Floor of the Exchange and provides quotations: (A) manually, by public outcry, and (B) electronically through an auto-quoting device.

Remote Market Maker. A Remote Market Maker is an ATP Holder who is registered with the Exchange for the purpose of making transactions as dealer-specialist from a location off the Floor of the Exchange. Transactions of Remote Market Makers that are executed through the facilities of the Exchange, in accordance with the rules of the Exchange, are deemed to be Market Maker transactions for purposes of Rule 920NY.

Specialists

Specialists (“Specialists”) are approved by the Exchange for acting in such capacity. Specialists quoting obligations are more stringent than Market Makers and they receive participation guarantees in some cases. Specialists can operate on or off the Exchange trading floor and perform Floor Broker functions if specific requirements are met. Any ATP Holder/Firm registered as a Market Maker may apply to become a Specialist. Specialists must maintain specified cash or liquid assets based upon the number of issues traded.

Market Maker Authorized Traders

Market Maker Authorized Traders (MMATs) shall be an individual ATP Holder or officer, partner, employee or associated person of the ATP firm authorized to enter quotes and orders on the Exchange for the account of a registered Market Maker firm. MMATs must register with the Exchange and pass the appropriate Market Maker exam.

Order Flow Providers

If your firm currently enters option orders on the Exchange, no additional ATPs or changes are required. Current ETP Holders on the NYSE Amex equity platform that want to start trading options must either acquire an ATP or become a "Sponsored Participant" by entering into an agreement with an approved ATP Holder ("Sponsoring ATP"). Sponsoring ATP Holders are broker-dealers that have been designated by a Sponsored Participant to execute, clear and settle transactions on NYSE Amex on their behalf. Authorized Traders (ATs) are individuals designated by the ATP Holders and/or Sponsored Participants to enter orders on their behalf.



I, _____, confirm that I reviewed and that I understand the policies and procedures set forth in the NYSE Amex Market Maker study materials.

Name

CRD Number

Firm

Date