

Date: September 27, 2012

Audience: NYSE Amex Options Participants

Subject: Primary Specialist Designation and Allocation of Orders for Five (5) or Fewer Contracts

Summary: The Exchange received approval to modify Rules 964NY and 964.2NY to define Primary Specialists, and to modify the order allocation entitlement amongst Specialist Pool participants.¹

Currently, Rule 964NY sets forth the priority for the allocation of incoming orders when trading against resting interest in the NYSE Amex System. Under the current rule, the priority for the allocation of incoming orders at the same price is as follows: (1) resting Customer orders; (2) eligible Directed Order Market Makers; (3) the Specialist Pool (for non-Directed Orders); and (4) non-Customer interest (on a size pro-rata basis). **As currently provided in Rule 964NY(b)(2)(C) and Rule 964.2NY, the Specialist and e-Specialists in each class compete in the Specialist Pool on a size pro-rata basis, and do not compete for the allocation of non-Directed Orders of five contracts or fewer. Such orders are allocated on a rotating basis (i.e., a round robin) to the Specialist or an e-Specialist in the Specialist Pool.**

Pursuant to a recently approved rule change, the Exchange will designate a Primary Specialist from amongst the Specialist Pool participants. According to the Exchange, the Primary Specialist will be determined using objective evaluation of the relative quote performance of each Specialist and e-Specialist. The evaluation will be conducted on a quarterly basis and will include one or more of the following factors: time and size at the NBBO, average quote width, average quote size, and the relative share of electronic volume in a given class of options.

Under the revised rule, the Primary Specialist (instead of the Specialist) will receive any additional weighting in the size pro rata allocation amongst Specialist Pool participants. This additional weighting will be determined by the Exchange, as is currently the case. **Additionally, going forward, rather than a round robin allocation of non-Directed Orders for five contracts or fewer, all such orders will be allocated to the Primary Specialist after any allocation to Customers, not to exceed the size of the Primary Specialist's quote, provided the Primary Specialist is quoting at the NBBO.**

At this time, the Exchange intends to implement this change effective Monday, December 24, 2012. This notice is to let Specialists and e-Specialists know that, the evaluation period used to determine the Primary Specialist will commence October 8, 2012. The Exchange will use the relative share of volume executed by the Specialist and e-Specialist during the balance of the month of October 2012 and the full month of November 2012 as the criterion for determining the Primary Specialist. **The Specialist or e-Specialist assigned to an option that transacted more volume during the evaluation period will be designated as the Primary Specialist.**

In the event the scheduled implementation date of December 24, 2012 changes, the Exchange will issue a subsequent bulletin with updated information.

¹ The approval order can be found [here](#) for those who are interested.

Contact Info:

If you have any additional questions, please contact your relationship manager at rmteam@nyx.com or Mike Babel at 212-656-4744.



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