Date: **June 6, 2016**

Audience: **NYSE Options Participants**

Subject: **Enhancements to Risk Control Functionality in Enhanced Certification Environment**

Summary:

Beginning on Monday, June 6, 2016, NYSE Amex Options and NYSE Arca Options will be making a number of enhancements available for testing in the Enhanced Certification environment. The go-live dates for these changes will be announced in additional trader updates.

Clients are encouraged to test this functionality in the Enhanced Certification environment in advance of the functionality going live in production.

Market Maker Quote Arbitrage Check:

NYSE Amex Options and NYSE Arca Options will be introducing a Market Maker Quote Arbitrage Check ("Arb Check") that will measure call or put bids against specified benchmarks. This protection is available throughout the trading day, including instances when there is no NBBO.

The specified benchmarks are as follows:

- Market Maker bids for Call options will be rejected if the price of the bid is equal to or greater than the price of the underlying security.

- Market Maker bids for Put options will be rejected if the price of the bid is equal to or greater than the strike price of the option.

The Arb Check will not apply for options series where there is unreliable last sale data, specifically for any options series for which the underlying security has a non-standard cash or stock deliverable, any options series for which the underlying security is identified as over-the-counter, any option series on an index, and Binary Return Derivatives ("ByRDs").

The Arb Check will function in parallel with the Price Protection Filter already available on NYSE Amex Options and NYSE Arca Options, which measures incoming quotes against the NBBO.

Too-Executable Filter for Complex Orders:

The current Too-Executable Filter available on NYSE Amex Options and NYSE Arca Options for Complex Orders will be enhanced to cover Complex Orders during the pre-open or during a trading halt.

An Electronic Complex Order received during pre-open or during a trading halt will be held until all the individual component options of the Electronic Complex Order open or reopen. At that time, the Electronic Complex Order will be cancelled if the net debit/credit limit price of the order is through the contra-side Complex NBBO for that same Complex Order by an amount defined by the exchange.

Enhancements to Activity-Based Risk Mitigation:

Activity-Based Risk Mitigation on NYSE Amex Options and NYSE Arca Options will be expanding to cover all Single-Leg and Complex Order types. Additionally, whereas in current state Order Sending Firm settings must be configured on a daily basis, at a future date to be announced, settings will persist.

Order Sending Firms will have the opportunity to configure settings across all symbols, or per underlying symbol.

This functionality will be made available in production at a date to be announced in an additional trader notice, and will be made mandatory as necessary based on compliance standards for OCC Risk Controls Certification. Default settings for Order Sending Firms will be announced in a future trader notice.

Bulk Cancel Functionality:

Bulk Cancel Functionality will be updated on NYSE Amex Options and NYSE Arca Options such that a firm can bulk cancel on a TPID-level basis via a FIX connection, a Binary connection, or through CMT.

Invalid Complex Strategies:

Beginning on a date to be announced, NYSE Amex Options and NYSE Arca Options will immediately reject certain Complex Orders ("Invalid Complex Orders").

Invalid Complex Orders are as follows:

- Electronic Complex Orders comprised of two legs where (i) both legs are buying or both legs are selling, and (ii) both legs are calls or both legs are puts.
- Electronic Complex Orders comprised of three or more legs where all legs are buying or all legs are selling.

For further information regarding the above changes, please refer to the FIX Specification and UGW Binary Specification.

Contact Info:

For questions, please contact your Relationship Manager at rmteam@nyse.com.

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