

# AMERICAN STOCK EXCHANGE LLC

## Proposed Rule Change

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It is proposed that the following provisions of the American Stock Exchange Rules be amended as set forth below. [Bracketing] indicates text to be deleted; and underlining indicates text to be added.

### Rule 1

### Hours of Business

No change.

#### ● ● ● Commentary

.01 No change.

.02 Options Trading after 4:02 p.m. --The Board has determined that no option series shall freely trade after 4:02 p.m. except that broad stock index group options and options on select Exchange-Traded Fund Shares shall freely trade until 4:15 p.m. each business day. However, one trading rotation in any class of options contracts may be effected even though employment of the rotations will result in the effecting of transactions on the Exchange after 4:02 p.m., provided:

(1) Trading in the underlying security opens or re-opens after 3:30 p.m. (N.Y. time); and promptly thereafter, the Exchange commences an opening or re-opening rotation in the corresponding options; [or]

(2) Such rotation was initiated due to unusual market conditions pursuant to Rule 918, and (i) notice of such rotation is publicly disseminated no later than the commencement of the rotation or 4:00 p.m. (N.Y. time), whichever is earlier; or (ii) notice of such rotation is publicly disseminated after 4:00 p.m., and the rotation does not commence until five minutes after news of such rotation is publicly disseminated[.]; or

(3) For those option classes trading on the ANTE System, an automated trading rotation will be held at the close of each trading day and shall commence as soon as practicable after 4:02 p.m. or 4:15 p.m. for select index options and options on select Exchange-Traded Fund Shares.

(4) A trading rotation commenced under either (1) or (2) above, must be authorized by two (2) Floor Officials.

If prior to 4:02 p.m., a trading rotation is in progress and a Senior Floor Official and a Floor Official determine that a final trading rotation is needed to assure a fair and orderly market, the rotation in progress shall be halted and such final rotation begun as promptly as possible after 4:02 p.m. Except for a trading rotation held pursuant to (3) above, [A]any trading rotation commenced after 4:02 p.m. must be approved by a Senior Floor Official.

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**Rule 900—ANTE**

**Applicability, Definitions and References**

(a) **Applicability**-- The Exchange's new trading system (known as the ANTE System or ANTE) will be rolled-out over a period of time (approximately eighteen months) on a specialist post-by-specialist post basis. It is anticipated that the roll-out will begin on or about March 1, 2004 and will continue until the end of the third quarter of 2005 at which time all equity and index option classes traded by the Exchange will be on the ANTE System. It is anticipated that by August 31, 2004, the three hundred most actively traded option classes will be traded on the ANTE System. Therefore, during the roll-out period, while the Exchange has option classes trading on both systems, current rules (as they are amended from time to time) will apply to those option classes continuing to trade on its current system while the following ANTE rules will apply to those option classes trading on the new trading system. Once the roll-out of ANTE is complete, the amendments to the Exchange's options rules reflecting the implementation of ANTE set forth

below will replace, where applicable, the corresponding provisions in Rules 900 through 958A. The following Trading of Option Contracts Rules shall apply to the trading of option contracts on the ANTE System: 901, 902, 903, 904, 905, 906, 907, 908, 909, 915, 916, 917, 920, 921, 922, 923, 924, 925, 926, 927, 928, 930, 932, 940, 942, 943, 944, 952, 953, 954, 956, 957, 959, 960, 961, 962, 963, 964, 965, 966, 967, 970, 971, 972, 980, 981, 982, 990, 991, and 992. In addition, the following Trading of Option Contract Rules, which have been amended to reflect usage in the ANTE System, shall apply to the trading of options contracts on the ANTE System.

Moreover, the Rules in this Chapter (Trading of Options Contracts) shall be applicable to (i) the trading on and through the facilities of the Exchange of option contracts issued by the Options Clearing Corporation and the terms and conditions thereof; and (ii) the exercise and settlement, the handling of orders, and the conduct of accounts and other matters, relating to option contracts dealt in by any member or member organization. Except to the extent that specific Rules in this Chapter govern, or unless the context otherwise requires, the provisions of the Constitution and of all other Rules and policies of the Board of Governors shall be applicable to the trading on the Exchange of option contracts. Pursuant to the provisions of Article I, Section 3(i) of the Constitution, option contracts (as defined below) are included within the definition of "security" or "securities" as such terms are used in the Constitution and the Rules of the Exchange.

(b) **Definitions**--The following terms as used in the Rules in this Chapter shall, unless the context otherwise indicates, have the meanings herein specified:

(1) **Options Clearing Corporation**--The term "Options Clearing Corporation" means The Options Clearing Corporation, a subsidiary of the Participating Exchanges.

**(2) Rules of the Options Clearing Corporation**--The term "rules of the Options Clearing Corporation" means the by-laws and the rules of the Options Clearing Corporation, and all written interpretations thereof, as the same may be in effect from time to time.

**(3) Clearing Member**--The term "clearing member" means an Exchange member or member organization who or which has been admitted to membership in the Options Clearing Corporation pursuant to the provisions of the rules of the Options Clearing Corporation.

**(4) Participating Exchange**--The term "Participating Exchange" means a national securities exchange which has qualified for participation in the Options Clearing Corporation pursuant to the provisions of the rules of the Options Clearing Corporation.

**(5) Option Contract**--The term "option contract" means a put or a call issued, or subject to issuance, by the Options Clearing Corporation pursuant to the rules of the Options Clearing Corporation.

**(6) Exchange Option Transaction**--The term "Exchange option transaction" means a transaction effected on the Floor and through the facilities of the Exchange between Exchange members for the purchase or sale of an option contract, or for the closing out of a long or short position in an option contract.

**(7) Type of Option**--The term "type of option" means the classification of an option contract as either a put or a call.

**(8) Call**--The term "call" means an option contract under which the holder of the option has the right, in accordance with the terms of the option, to purchase from The Options Clearing Corporation the number of shares (if the underlying security is a stock or an Exchange-Traded Fund Share) or the principal amount (if the underlying security is a Government security or certificate of deposit) of the underlying security covered by the option contract.

(9) **Put**--The term "put" means an option contract under which the holder of the option has the right, in accordance with the terms of the option, to sell to The Options Clearing Corporation the number of shares (if the underlying security is a stock or an Exchange-Traded Fund Share) or the principal amount (if the underlying security is a Government security or certificate of deposit) of the underlying security covered by the option contract.

(10) **Class of Options**--The term "class of options" means all option contracts of the same type of option covering the same underlying security.

(11) **Series of Options**--The term "series of options" means all option contracts of the same class of options having the same expiration date, exercise price and unit of trading.

(12) **Underlying Security**--The term "underlying security" in respect of an option contract means the security which the Options Clearing Corporation shall be obligated to sell (in the case of a call) or purchase in the case of a put) upon the valid exercise of such option contract.

(13) **Exercise Price**--The term "exercise price" in respect of an option contract means

(i) if the underlying security is a stock, the stated price per share, or

(ii) if the underlying security is a Government security other than a Treasury bill, the specified percentage of the principal amount, or

(iii) if the underlying security is a Treasury bill, the specified complement of the annualized discount, or

(iv) if the underlying security is a certificate of deposit, the specified complement of the annualized yield,

at which the underlying security may be purchased (in the case of a call) or sold (in the case of a put) upon the exercise of such option contract.

(14) Aggregate Exercise Price--The term "aggregate exercise price" in respect of an option contract means:

(i) if the underlying security is a stock or an Exchange-Traded Fund Share, the exercise price of the option contract multiplied by the number of shares of the underlying stock or Exchange-Traded Fund covered by such option contract; or

(ii) if the underlying security is a Government security (other than a Treasury bill), (a) the exercise price of the option contract multiplied by the principal amount of the underlying security covered by such option contract, plus (b) accrued interest computed in accordance with the provisions of Rule 859; or

(iii) if the underlying security is a Treasury bill, the difference between the principal amount of such Treasury bill and the Aggregate Discount Amount. The "Aggregate Discount Amount" in respect of an option contract covering a Treasury bill shall be the principal amount of the underlying Treasury bill (a) multiplied by the annualized discount (100% minus the exercise price of the option contract), and (b) further multiplied by a fraction having a numerator equal to the number of days to maturity of the underlying Treasury bill on the earliest date on which it could be delivered pursuant to the rules of the Options Clearing Corporation in connection with the exercise of the option (normally 91 or 182 days), and a denominator of 360; or

(iv) if the underlying security is a certificate of deposit, the principal amount specified in the option contract multiplied by the fraction  $360 + R_1L_1/360 + R_2L_2$ , where  $R_1$  = The stated interest rate of the particular certificate of deposit delivered in connection with the exercise of the option,

L<sub>1</sub> = The original maturity of such certificate of deposit, i.e., the number of days to maturity on the date it was issued.

R<sub>2</sub> = 100 minus the exercise price of the option contract, and

L<sub>2</sub> = The remaining maturity, i.e., the number of days to maturity of the certificate of deposit on the exercise settlement date.

(15) **Expiration Month**--The term "expiration month" in respect of an option contract means the month and year in which such option contract expires.

(16) **Expiration Date**--The term "expiration date" in respect of an option contract means the day and time fixed by the rules of the Options Clearing Corporation for the expiration of all option contracts covering the same underlying security and having the same expiration month as such option contract.

(17) **Long Position**--The term "long position" means the number of outstanding option contracts of a given series of options held by a person (purchaser).

(18) **Short Position**--The term "short position" means the number of outstanding option contracts of a given series of options with respect to which a person is obligated as a writer (seller).

(19) **Opening Purchase Transaction**--The term "opening purchase transaction" means an Exchange option transaction in which the purchaser's intention is to create or increase a long position in the series of options involved in such transaction.

(20) **Opening Writing Transaction**--The term "opening writing transaction" means an Exchange option transaction in which the seller's (writer's) intention is to create or increase a short position in the series of options involved in such transaction.

**(21) Closing Sale Transaction**--The term "closing sale transaction" means an Exchange option transaction in which the seller's intention is to reduce or eliminate a long position in the series of options involved in such transaction.

**(22) Closing Purchase Transaction**--The term "closing purchase transaction" means an Exchange option transaction in which the purchaser's intention is to reduce or eliminate a short position in the series of options involved in such transaction.

**(23) Covered**--

(i) The term "covered" in respect of a short position in a call option contract means that the writer's obligation is secured by a "specific deposit" or an "escrow deposit" meeting the conditions of Rule 610(f) or 610(h), respectively, of the rules of The Options Clearing Corporation, or an index option escrow receipt in a form satisfactory to the Exchange, or the writer holds in the same account as the short position on a share-for-share basis (if the underlying security is a stock or an Exchange-Traded Fund Share), or on the basis of a matching principal amount (if the underlying security is a Government security or a certificate of deposit), a long position either in the underlying security or in an option contract of the same class of options having an exercise price equal to or less than the exercise price of the option contract in such short position. For purposes of the definition set forth in this paragraph (b)(23)(i), the term underlying security, when used with reference to an option relating to a Treasury bill or certificate of deposit, shall include any Treasury bill or certificate of deposit, respectively, which but for its maturity date, would be deliverable in accordance with the rules of the Exchange and The Options Clearing Corporation in connection with the exercise of the option.

(ii) The term "covered" in respect of a short position in a put option contract means the writer's obligation is secured by an option guarantee letter in a form satisfactory to the Exchange, or the writer holds in the same account as the short position, on a share-for-share basis (if the underlying security is a stock or an Exchange-Traded Fund Share), or on the basis of a matching principal amount (if the underlying security is a Government security or a certificate of deposit), a long position in an option contract of the same class of options having an exercise price equal to or greater than the exercise price of the option contract in such short position.

(24) **Uncovered**--The term "uncovered" in respect of a short position in an option contract means that the short position is not covered.

(25) **Outstanding**--The term "outstanding" in respect of an option contract means an option contract which has been issued by the Options Clearing Corporation and has neither been the subject of a closing sale transaction on the Exchange or a comparable closing transaction on another Participating Exchange nor been exercised nor reached its expiration date.

(26) **Primary Market**--The term "primary market" means (a) in respect of an underlying security which is principally traded on a national securities exchange, the principal exchange market in which the underlying security is traded, and (b) in respect of an underlying security which is principally traded in the over-the-counter market, in the case of equity securities, the market reflected by the National Association of Securities Dealers Automated Quotation system ("NASDAQ"), and in the case of all other securities, the market reflected by any widely recognized quotation dissemination system or service.

(27) Options Trading--The term "options trading", when not preceded by the word "Exchange", means trading in any option issued by the Options Clearing Corporation, whether or not of a class or series which has been approved for trading on the Exchange.

(28) Government Security--The term "Government security" means a bond, note, bill, or other evidence of indebtedness that is a direct obligation of, or an obligation guaranteed as to principal and interest by, the United States or a corporation in which the United States has a direct or indirect interest.

(29) Treasury Bill--The term "Treasury bill" means a Government security sold by the United States Treasury Department at a discount from principal amount, bearing no interest payment, and with a term to maturity of not more than one year.

(30) Treasury Note--The term "Treasury note" means a Government security sold by the United States Treasury Department with a term to maturity of at least one year but not more than ten years at the time of original issuance.

(31) Treasury Bond--The term "Treasury bond" means a Government security sold by the United States Treasury Department with a term to maturity of more than ten years at the time of original issuance.

(32) Certificate of Deposit--The term "certificate of deposit" means a negotiable instrument, having a denomination of \$100,000 or more, issued by a bank at a fixed rate of interest for a fixed period of time, with both principal and interest payable at maturity.

(33) Annualized Discount--The term "annualized discount" in respect of a Treasury bill means the percent discount from principal amount at which the Treasury bill may be purchased or sold, expressed as a discount for a term to maturity of 360 days.

(34) **Annualized Yield**--The term "annualized yield" in respect of a certificate of deposit means the yield at which a certificate of deposit may be purchased or sold, expressed as a yield for a term to maturity of 360 days.

(35) **Complement**--The term "complement", when used with reference to an annualized discount or annualized yield, means the difference between 100% and the annualized discount or annualized yield.

(36) **Debt Security and Debt Option**--The term "debt security" in respect of an option contract means any bill, note, bond, certificate of deposit or other evidence of indebtedness selected by a Participating Exchange as an underlying security. The term "debt option" means an option on a debt security.

(37) **Cash Equivalents**--The term "cash equivalents" means those instruments referred to in §220.8(a)(3)(ii) of Regulation T of the Board of Governors of the Federal Reserve System.

(38) **Paired Security**--The term "Paired Security" means a security which is the subject of securities trading on the Exchange and Exchange option trading, provided, however, that the term "Paired Security" shall not mean an Exchange-Traded Fund Share or Trust Issued Receipt which is the subject of securities trading on the Exchange and Exchange option trading if the Exchange-Traded Fund Share or Trust Issued Receipt meet the criteria set forth in Commentary .03(a) to Amex Rule 1000 or Commentary .02(a) to Amex Rule 1000A or approved by the Securities and Exchange Commission as eligible for trading arrangements under Rule 175(c)(2) and Rule 958—ANTE (e).

(39) **Related Security**--For purposes of this Chapter, the term "Related Security" means:

(i) in the case of an equity option, the stock or Exchange-Traded Fund Share underlying such option; and

(ii) in the case of a stock or an Exchange-Traded Fund Share, the option overlying such stock or Exchange-Traded Fund Share.

(40) **Designated Options Area**--The term "Designated Options Area" means that area of the Exchange trading floor in which an option on a Paired Security is traded. Such Designated Options Area shall be physically separated from the Designated Stock Area.

(41) **Designated Stock Area**--The term "Designated Stock Area" means that area of the Exchange trading floor in which the stock of a Paired Security is traded. Such Designated Stock Area shall be physically separated from the Designated Options Area.

(42) **Exchange-Traded Fund Share**--For purposes of this Chapter, the term Exchange-Traded Fund Share shall include Exchange-listed securities representing interests in open end unit investment trusts or open-end management investment companies that hold securities based on an index or a portfolio of securities.

(43) **Foreign Broker/Dealer**. The term "foreign broker/dealer" means any person or entity that is registered, authorized or licensed by a foreign governmental agency or foreign regulatory organization (or should be so registered, authorized or licensed) to perform the function of a broker or dealer in securities, or both. The term "broker" and "dealer" mean the same as set out in Sections 3 (a)(4) and 3 (a)(5) of the Securities and Exchange Act of 1934, provided that a "broker" or "dealer" may be a bank.

(44) **ANTE System**—The term ANTE System shall mean the trading system used by the Exchange to trade options contracts. The ANTE System will provide for the automatic match and execution of orders and the collection and dissemination of quotes from specialists and registered options traders.

(45) ANTE Participant—The term “ANTE Participant” shall mean either the specialist and/or registered options trader(s) assigned to trade a specific options class on the ANTE System.

(46) Outside the ANTE System—The term “Outside the Ante System” shall mean orders executed in the trading crowd including, but not limited to orders of size, spread, straddle and combination orders, solicited orders, facilitation orders and other types of orders as determined by the order flow providers.

(47) Public Customer—The term “Public Customer” means an individual or organization that is neither a member nor a U.S. registered nor foreign broker-dealer.

(48) Away Market Maker—The term “Away Market Maker” means a market maker, as defined in Section 3(a)(38) of the Securities Exchange Act of 1934, in options registered as such on such other national securities exchange.

(c) References--Exchange Contracts as defined in paragraph (k) of Article 1, Section 3 of the Constitution, include option contracts purchased or sold in Exchange option transactions. Article XI, Section 1 of the Constitution provides that the provisions of the Constitution and of the rules adopted pursuant thereto shall be a part of the terms and conditions of all Exchange Contracts.

(d) Local Time--All times are stated in these Rules in terms of the local time in effect in New York City.

**● ● ● Commentary**

.01 The term "security", when used in the Constitution or Rules of the Exchange, shall be deemed to include certificates of deposit unless the context otherwise requires.

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**Rule 918—ANTE**

**Trading Rotations, Halts and Suspensions**

**(a) Automatic Trading Rotations--**For each class of option contracts that has been approved for trading on the Exchange shall be employed:

(1) at the opening of each business day promptly following the opening of the underlying security in the primary market where it is traded (if the underlying security is a stock), or following the availability of opening quotations on the quotation display mechanism(s) approved by the Exchange (if the underlying security is a Government security or a certificate of deposit);

(2) upon the resumption of trading in option contracts of a class or series of options that has been the subject of a halt or suspension by the Exchange;

(3) when two (2) Floor Officials determine that other unusual market conditions are present which necessitate such a trading rotation in the interest of providing a fair and orderly market;  
and

(4) promptly after the close of trading on each trading day for every option series and after a final price has been established in the primary market for the underlying security.

**(b) Trading Halts--**Trading on the Exchange in any option contract shall be halted or suspended whenever the Exchange deems such action appropriate in the interests of a fair and orderly market and to protect investors. Among the factors that may be considered are that:

(1) trading in the underlying stock or Exchange-Traded Fund Share has been halted or suspended in the primary market,

(2) the opening of such underlying stock or Exchange-Traded Fund Share in the primary market has been delayed because of unusual circumstances,

(3) the Exchange has been advised that the issuer of the underlying stock or Exchange-Traded Fund Share is about to make an important announcement affecting such issuer, or

(4) other unusual conditions or circumstances are present.

Trading in option contracts of a class or series of options that has been the subject of a halt or suspension by the Exchange may be resumed upon a determination by the Exchange that the conditions which led to the halt or suspension are no longer present and that the interests of a fair and orderly market are best served by a resumption of trading.

(c) **Supervision of Trading**--Floor Officials shall, pursuant to the provisions of Rule 22, have the same authority to supervise trading of option contracts as with respect to other securities, including the authority to delay the opening of a particular class or series of options or to halt, and reopen after a halt, trading in a particular class or series of options, or to initiate a trading rotation or implement a modified trading rotation in a particular class or series of options whenever such action is deemed necessary in the interests of maintaining a fair and orderly market in such class or series of options and to protect investors.

### ● ● ● Commentary

.01 Automatic trading rotations-shall be conducted in the following manner:

(a) Automated Opening Rotations—Prior to the opening of trading, beginning at 8:00 a.m. each trading day, 7:30 a.m. on Expiration Fridays or at such other time as established by the Exchange and announced to the membership through an Information Circular or through other appropriate means of communication, the ANTE System will accept orders and quotes for inclusion in the automated opening rotation process. Limit orders remaining on the specialist's book from the previous trading day or session will also be included in the opening rotation process. All ANTE Participants will be able to view the above order and

quote information for each class and series they trade. Spread orders and contingency orders will not participate in the automated opening rotation process.

(b) Registered options traders will be able to either use an Exchange provided or proprietary automated quote calculation system to calculate and submit quotes in some or all of his assigned classes for use during the automated opening rotation or may join the specialist's theoretical quote with the ability to submit limit orders on a series-by-series basis for those classes in which the registered options trader has chosen not to use an automated quote calculation system. Registered options traders may not submit market orders in the automated opening rotation.

(c) At 9:30 a.m. (or at such appropriate time after a re-opening) and once the primary market in the underlying security disseminates the opening trade or opening quote, the specialist shall begin the automated opening rotation using the quotes and orders previously submitted into the ANTE System. The specialist is required to submit a two-sided quotation in each option series for use in the automated opening rotation. Once the opening rotation process begins, no additional orders, cancellations, modifications or quotes will be accepted for inclusion in the opening rotation. Quotes submitted and orders entered, modified or cancelled during the opening rotation will be held in the ANTE System until the completion of the opening rotation in that series, at which point the quotes, orders, modifications or cancellations will be entered into the market.

(d) The ANTE System automatically pairs-off the opening orders at an opening price. The opening price will always be on or between the specialist's bid and offer and will be the price at which the maximum number of contracts may be executed within the established market based upon previous day and pre-opening limit orders, and the

specialist's and registered options traders' orders and quotes. If the above results in more than one price, then the price that will result in the smallest number of limit orders remaining unexecuted will be used as the opening price. Notwithstanding the foregoing, if the ANTE System is unable to come up with a single opening price, then the series is presented to the specialist for manual handling. Once the paired-off orders have been executed, free trading in each option series will begin. Following the opening any unexecuted orders will be represented as bids and offers on the Exchange.

(e) If, as noted above, the ANTE System is unable to establish an appropriate opening price, that is, the opening orders can be executed at more than one opening price, then the specialist shall manually set an opening price based upon previous day and pre-opening limit orders, and the specialist's and registered options traders quotes. The specialist will establish an opening price by either modifying the price so that no market or marketable limit imbalance occurs or providing that any imbalance is allocated to the specialist and any participating registered options traders.

(f) **Automated Closing Rotations**--The automated closing rotation in each series of options subject to Rule 918—ANTE (a)(4) shall commence at or as soon as practicable after 4:02 p.m. or 4:15 p.m. for options on Exchange-Traded Fund Shares, when the underlying Fund Shares themselves cease trading at 4:15 p.m., but not until a final price for the underlying stock or Exchange-Traded Fund Share is established in the primary market for such security. Orders may be entered modified or cancelled up to either 4:02 p.m. or 4:15 for options on Exchange-Traded Fund Shares, when the underlying Fund Shares themselves cease trading at 4:15 p.m. Quotes may be submitted in a particular series of options until the commencement of the closing rotation in such series. The automated closing rotation

shall be conducted in the same manner as the automated opening rotation. The specialist is required to submit a two-sided quotation in each option series for use in the automated closing rotation. In addition to the quotes and orders described in paragraph (a) and (b), quotes existing at the close of trading in each option series shall be included in the closing rotation.

.02 Rules regarding priority and parity at openings is set forth in Rule 108 and made applicable to options trading in Rule 950—ANTE (b).

.03 In the event that trading in an underlying security has not opened in the primary market for such security within a reasonable time after 9:30 A.M. if the underlying security is a stock, or after 9:00 A.M., if the underlying security is a Government security or certificate of deposit, the specialist shall report the delay to a Floor Official assigned to his zone and appropriate steps will be taken to determine the cause for the delay. The opening of trading in such options shall be delayed until the underlying security has opened unless the Senior Supervisory Officer on the Floor shall determine that the interests of a fair and orderly market are best served by opening trading in such options. Trading in the primary market for a Government security or a certificate of deposit shall be deemed to have opened when opening quotations for the security become available on the quotation display mechanism(s) approved by the Exchange.

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**Rule 933—ANTE**                      **Automatic Matching and Execution of Options Orders**

(a) The ANTE System will provide for the automatic matching and execution of market and marketable limit orders that are within the eligible size limit established by the Options Trading Committee (referred to hereinafter as the “auto-match size”). The auto-match size is the

maximum order size that can be automatically matched with orders on the book or the disseminated quote. An order less than or equal to the auto-match size will be automatically matched at the disseminated price up to the disseminated size. Any contracts remaining in a partially executed order will be handled by the specialist. An order greater than the established auto-match size will be routed for an execution by the specialist at the disseminated price up to the disseminated size.

(b) Except for Linkage Orders as defined in Rule 940(b), only non-broker/dealer customer orders shall be eligible for automatic execution and automatic matching against orders on the limit order book except that the Options Trading Committee may determine, on a class-by-class basis, to allow the following types of orders to be eligible for an automatic execution and automatic matching:

(1) Orders for the accounts of broker-dealers; or

(2) Orders for the accounts of broker-dealers, excluding those for the accounts of market makers or specialists on an exchange who are exempt from the provisions of Regulation T of the Federal Reserve Board pursuant to Section 7(c)(2) of the Securities Exchange Act of 1934.

For the purposes of this Rule, the term broker-dealer includes foreign broker-dealers. For those classes in which the Committee has determined not to allow automatic executions and automatic matching, broker-dealer orders may interact with orders in the limit order book only after being re-routed to the Display Book for execution.

(c) If the Options Trading Committee permits broker-dealer orders to be automatically executed and automatically matched in a class pursuant to this Rule, then it may also permit the following with respect to such orders:

(1) The maximum order size eligibility for broker-dealer orders may be less than the applicable order size eligibility for non-broker-dealer customer orders; and

(2) Non-broker-dealer customer orders may be eligible for automatic matching and execution at the current best bid or offer displayed by another options exchange (automatic price matching) and automatic price improvement pursuant to Commentary .01 while broker-dealer orders are not so eligible.

(d) Exchange registered options traders must assure that orders for their own accounts are not entered on the Exchange and represented or executed in violation of the following provisions: Rule 157 (Orders With More Than One Broker), Rule 103(b) (Initiation of Transaction for Joint Acct), Rule 111(c) (Concurrent Representation), and Section 9 of the Securities Exchange Act of 1934 (Wash Sales).

(e) The Options Trading Committee shall determine the size parameters of orders eligible for automatic matching and execution. The Committee may determine to set the eligible order size parameter in any option class as the disseminated quote size. An automatic matching and execution eligible order for any account in which the same person is directly or indirectly interested may only be entered at intervals of no less than 15 seconds between entry of each such order in a call class and/or a put class for the same option. Members and member organizations are responsible for establishing procedures to prevent orders in a call class and/or a put class for the same option for any account in which the same person is directly or indirectly interested from being entered at intervals of less than 15 seconds.

(f) (i) Orders eligible for automatic matching and execution will not be automatically executed in the following circumstances:

A. Market Data Delays--Senior Market Operations staff, in conjunction with the Floor Governors, may determine to prohibit automatic matching and executions due to market data dissemination delays at the Options Price Reporting Authority ("OPRA") or internally at the Exchange. This prohibition may be for one option class, a group of option classes, or all option classes traded through the facilities of the Exchange;

B. Unusual Market Exception--Pursuant to procedures set forth in Rule 958A(d), the Market Operations Division in consultation with a Floor Official may determine to prohibit automatic matching and executions if the Exchange is unable to accurately collect, process, and/or disseminate quotation data owing to the high level of trading activity or the existence of unusual market conditions which result in the suspension of firm quote rule obligations on the Exchange and its members and member organizations as set forth in Exchange Rule 958A—ANTE (d) and Rule 11Ac1-1(b)(3) under the Securities Exchange Act of 1934;

C. Unusual Market Conditions--The Market Operations Division, with Floor Governor, Senior Supervisory Officer or Senior Floor Official approval, may prohibit automatic matching and executions during unusual market conditions in respect of an option class(es) or their underlying security(ies). Unusual market conditions may include (i) significant or market disruptive order imbalances in the option class or series, or the underlying security; or (ii) unusually wide or market disrupting spreads between the bid and the offer in the underlying security.

D. Systems Malfunctions--The Market Operations Division, with Floor Governor or Senior Supervisory Official approval, may prohibit automatic matching and executions as the result of systems malfunctions that affect the Exchange's ability to (i) disseminate or update market quotes; or (ii) deliver orders to the trading floor in a timely manner; and

E. Certain Market Activity--Orders otherwise eligible for automatic matching and execution may not receive automatic execution during certain market situations. Such situations include: (i) whenever the ABBO crosses or locks the NBBO and causes an inversion in the quote, except as provided in Rule 941—ANTE (e) for orders sent through the Options Intermarket Linkage; or (ii) whenever a better bid or offer is being disseminated by another options exchange and the order is not eligible for automatic price matching as set forth in Commentary .01(b);

(ii) In all situations set forth in (f)(i) above, the Exchange will document in either the Systems Support Log or the Service Desk Log any action taken to prohibit eligible orders from receiving an automatic matching and execution, the action taken, the time of the action, the option class(es) affected, the identity of the Exchange or Floor Official approving the action and a brief summary of the reason for the decision. The prohibition on automatic matching and executions will generally end when Market Operations determines that the cause of the prohibition has ceased. The Log(s) will indicate when the prohibition ended, if such prohibition occurred during the same trading day. If no time is shown on the Log(s), that indicates the prohibition remained in place for the remainder of the trading day. The Exchange will also document the reason for and the Exchange or Floor Official approving the lifting was

for a reason other than the cessation of the condition that led to the institution of the prohibition.

(g) On occasion the Amex must make the determination that the quotes being disseminated by another options exchange are not reliable and exclude those quotes from the calculation of its NBBO. A Floor Governor or Exchange Official may make this determination based on one of the following circumstances: (i) the other options exchange's quotes are not firm based upon direct communication from that exchange or the dissemination through OPRA of a message indicating the quotes are not firm; or (ii) the other options exchange has directly communicated or otherwise confirmed that it is experiencing systems or other problems affecting the reliability of its disseminated quotes. In all cases where a Floor Governor or Exchange Official excludes an exchange or any of its quotes from the determination of the NBBO due to quote unreliability, Market Operations staff will promptly notify the exchange of the action, continue to monitor the reliability of the excluded quotes in consultation with the Floor Governor or Exchange Official, and maintain records showing the date, time, duration, and reasons for each such action, as well as the identity of the Floor Governor or Exchange Official who authorized the action. Any determination to exclude a market or any of its quotes from the determination of the NBBO pursuant to the above will expire at the end of the trading day, or at such time as the quotes are confirmed by the exchange to be reliable again--whichever occurs first. Exclusion of an exchange or its quotes from the determination of the NBBO will be reported to Exchange member firms.

**● ● ● Commentary**

.01 (a) Orders to buy or sell options that are multiply traded on one or more options exchanges in addition to the Exchange will not be automatically executed at prices inferior to

the current best bid or offer displayed by any other options exchange, as such best bids or offers are identified by the Exchange's order routing system.

(b) Customer orders in those series of options that have been specifically designated by the Options Trading Committee ("automatic price matching series"), under circumstances where the Exchange's best bid or offer is inferior to the NBBO being displayed by another options exchange by no more than the "price matching amount," as defined below, will be automatically executed at the NBBO being displayed by the other options exchange. If the Exchange's best bid or offer is inferior to the NBBO displayed by another options exchange by more than the price matching amount, the order will be routed to the specialist and not automatically executed. Only customer orders within the order size parameters established by the Options Trading Committee will be eligible for automatic price matching. A customer order that exceeds the established order size parameter will be routed to the specialist and not automatically executed.

(c) Customer orders in those series of options that have been specifically designated by the Options Trading Committee ("automatic price improvement series") will be automatically executed when the Exchange's best bid or offer is equal to the current NBBO as disseminated by a specified options exchange, at a price which improves the Exchange's best bid or offer by the price improvement amount, as defined below. Only customer orders within the order size parameters established by the Options Trading Committee will be eligible for automatic price improvement. A customer order that exceeds the established order size parameter will be either automatically executed at the Exchange's best bid or offer if it is within the automatic matching and execution order size parameters as set forth in Commentary .02 below, or it will be routed to the specialist and not automatically executed.

(d) Registered options traders may participate in executions pursuant to paragraphs (b) and (c) above, by signing on to either the automatic price matching feature, the automatic price improvement feature or both in the ANTE System.

(e) Notwithstanding paragraphs (b) and (c) above, orders for automatic price matching series or automatic price improvement series will be routed to the specialist and not automatically executed in situations where: (i) the current best bid or offer for one of the series is crossed (e.g., 4.20 bid, 4 asked) or locked (e.g., 4 bid, 4 asked); (ii) the specialist in conjunction with a Floor Governor or two Floor Officials determined quotes in such options or options exchange(s) are not reliable; or (iii) the Exchange is experiencing communications or systems problems, non-firm markets or delays in the dissemination of quotes by the Options Price Reporting Authority ("OPRA"). Members and member organizations will be notified when the Exchange has determined that quotes are not reliable and prior to customer orders not being automatically executed and routed to the specialist for execution. The specialist will report the execution or non-execution of such orders to the firm that originally forwarded the order to the Exchange.

(f) As used in this Commentary, the term "price matching amount" shall mean the minimum increment for options of that series established pursuant to Rule 952, or any greater amount established by the Options Trading Committee in respect of specified automatic price matching series of options. As used in this Commentary, the term "price improvement amount" shall mean the minimum increment for options of that series established pursuant to Rule 952, or any greater amount established by the specialist in respect of specified automatic price improvement series of options.

.02 Orders eligible for automatic matching and execution must be market or marketable limit orders for a size established on a case-by-case basis for an individual option class or for all options classes by the Options Trading Committee. The Options Trading Committee may set the eligible order size in an amount up to the size disseminated by the Exchange. Notice concerning applicable size and types of automatic matching and execution eligible orders will be provided to members periodically via Exchange circulars and/or posted on the Exchange's web site.

.03 The specialist will be required to establish for each option series emergency quote parameters, which shall be retained by the ANTE System. The Specialist's Emergency Quote shall be used when an order, which is eligible for automatic matching and execution, is greater than or equal to the disseminated quote size and the auto-matching and execution of such an order results in the disseminated bid or offer size decrementing to zero. The specialist must establish for each option series the number of minimum price variations below the bid and above the offer the emergency quote will be and the size associated with that bid and offer.

\* \* \* \* \*

**Rule 934—ANTE**

**Limitation on Orders**

(a) Limit Orders—Members or member organizations shall not enter into the Exchange's order routing system, as principal or agent, limit orders in the same option series, for the account or accounts of the same or related beneficial owner, in such a manner that the member or beneficial owner(s) effectively is operating as a market maker by holding itself out as willing to buy and sell such option contract on a regular or continuous basis. In determining whether a member or beneficial owner effectively is operating as a market maker, the Exchange will consider, among other things, the simultaneous or near-simultaneous entry of limit orders to buy and sell the same

option contract; the multiple acquisition and liquidation of positions in the same option series during the same day; and the entry of multiple limit orders at different prices in the same option series.

(b) Members or member organizations may not enter, nor permit the entry of, orders into the Exchange's order routing system if those orders are (i) created and communicated electronically without manual input (i.e., order entry by public customers or associated persons of members must involve manual input such as entering the terms of an order into an order-entry screen or manually selecting a displayed order against which an off-setting order should be sent); and (ii) eligible for automatic matching and execution. Nothing in this paragraph, however, prohibits members from electronically communicating to the Exchange orders manually entered by customers into front-end communication systems (e.g., Internet gateways, online networks, etc.).

\* \* \* \* \*

**Rule 935—ANTE**

**Allocation of Executed Contracts**

(a) The ANTE System will allocate all executed contracts among all participants to a trade for those executions occurring in the ANTE System. For those trades occurring outside the ANTE System refer to Rule 950—ANTE (I), Commentary .03 for a description of the allocation procedures used by the specialist in allocating such executed contracts. The ANTE System will allocate executed contracts to non-broker-dealer customers, broker-dealers, competing market makers, specialists and registered options traders (hereinafter referred to collectively as “market participants”) in accordance with the following provisions:

1. Non-broker-dealer customer orders in the ANTE System have priority over all other participants including those situations where non-broker-dealer customer orders match or are matched by quotes or orders for other market

- participants. Multiple non-broker-dealer customer orders at the same price are ranked based on time priority.
2. All broker-dealers' and competing market makers' orders will be considered one ANTE Participant for purposes of parity and allocating executed contracts.
  3. When an ANTE Participant is quoting alone at the ABBO and is not subsequently matched in the quote by other ANTE Participants, the sole ANTE Participant will be allocated all contracts executed at that disseminated bid or offer up to the sole participant's disseminated size.
  4. When more than one market participant is quoting at the ABBO, the ANTE System will allocate executed contracts as follows: (i) that portion of the executed contracts non-broker-dealer customers are entitled to; (ii) that portion of executed contracts that the specialist is entitled pursuant to the following percentages:

<u>Number of Market Participants* on Parity</u>	<u>Approximate Number of Contracts Allocated to the Specialist</u>	<u>Approximate Number of Contracts Allocated to the Market Participants* (as a group)</u>
<u>1</u>	<u>60%</u>	<u>40%</u>
<u>2 – 4</u>	<u>40%</u>	<u>60%</u>
<u>5 – 7</u>	<u>30%</u>	<u>70%</u>
<u>8 – 15</u>	<u>25%</u>	<u>75%</u>
<u>16 or more</u>	<u>20%</u>	<u>80%</u>

\* Not including non-broker-dealer customers

and (iii) that portion of the executed contracts the broker-dealers and competing market makers are entitled to as a group, and the registered options traders are entitled to individually pursuant to the following provisions:

1. If the number of remaining executed contracts equals the size of the remaining participants' total indicated size, the executed contracts shall be allocated to the broker-dealers and competing market makers and the registered options traders individually according to their indicated sizes. If the remaining executed contracts is less the total indicated sizes, the ANTE System will allocate the executed contracts equally, unless a participant's stated size is for an amount less than an equal allocation, then the smallest sizes will be allocated first, until the number of executed contracts remaining to be allocated requires an equal allocation. Since the ANTE System can allocate only whole contracts and not partial contracts, the ANTE System will keep track of such allocations and will attempt, to the extent mathematically possible, to provide each participant with the appropriate allocation ratio by the end of the trading day. The following chart illustrates how different numbers of executed contracts will be allocated to participants whose aggregate stated size is 100 contracts:

Number of Executed Contracts to be Allocated

<u>Participants'</u>				
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<u>Indicated</u>	<u>100</u>	<u>90</u>	<u>70</u>	<u>50</u>
<u>Size</u>				
<u>50</u>	<u>50</u>	<u>40</u>	<u>25</u>	<u>17</u>
<u>30</u>	<u>30</u>	<u>30</u>	<u>25</u>	<u>17</u>
<u>20</u>	<u>20</u>	<u>20</u>	<u>20</u>	<u>16</u>

(b) ANTE Participants may submit orders into ANTE to trade with orders in the ANTE Central Book. Allocation of such executed contracts shall be as follows:

1. if only one ANTE Participant submits an order to trade with an order in the ANTE Central Book and no other ANTE Participants join the first ANTE Participant within five seconds, that ANTE Participant shall be entitled to receive an allocation of the executed contracts up to the size of the ANTE Participant's order or quote.
2. if more than one ANTE Participant and/or a floor broker representing customer orders submits an order to trade with an order in the ANTE Central Book within a period of time not to exceed five seconds after the initial ANTE Participant has submitted his order, all those ANTE Participants and the floor broker's customer will be entitled to participate in the allocation of executed contracts in accordance with paragraph (a) above. Notwithstanding the foregoing, the initial ANTE Participant shall receive the lesser of the number of executed contracts in his indicated order size or the number of executed contracts determined by the Options Trading Committee on a class-by-class basis called the "Take size." The Options Trading Committee may decrease the time period from five seconds in select option classes. If the initial ANTE Participant is the specialist in that option series and is entitled to be allocated the "Take size", the specialist shall be allocated the "Take size" amount or the

amount he would be entitled to pursuant to Rule 935—ANTE (a) 4 whichever is greater.

**● ● ● Commentary**

.01 The following provision shall apply until the ANTE System is able to give floor brokers greater functionality accessing the Central Book. Such increased functionality will be available on March 31, 2005, or such other date as established by the Exchange and submitted to the Securities and Exchange Commission pursuant to Section 19(b) of the Securities Exchange Act of 1934. The increased functionality will include the ability of floor brokers to submit partial orders to trade with orders in the ANTE Central Book and to directly submit customer orders for participation in the post trade allocation. In order to participate in the post trade allocation of orders described in paragraph (b) 2. above, (1) whenever a floor broker who has entered the trading crowd to represent a customer order and has advised the specialist that he is working a customer order in a specified series, the specialist must disengage the post trade allocation feature in the options series represented by the floor broker's customer order; (2) once the floor broker's customer order has been executed or the floor broker leaves the trading crowd, the specialist shall re-engage the post trade allocation feature; (3) the floor broker must alert the specialist within the five-second timeframe whenever he wants to participate on behalf of his customer in the post trade allocation of orders taken off the specialist's book; (4) the floor broker must keep a record of the date, time(s) and series in which he has alerted the specialist that he wants to participate on behalf of his customer order in the post trade allocation; and (5) the specialist must add the customer's interest being represented by the floor broker in the post trade allocation whenever the floor broker has complied with the requirements of this Commentary.

.02 Registered options traders may also choose to participate in Quick Trade allocations in the ANTE System. When activated for a particular transaction in a given options series, it will provide for the automatic allocation on a rotating basis of executed orders to the specialist and participating registered options traders. Executed orders of ten contracts or less are allocated to Quick Trade participants as set forth below. If an executed order is greater than ten contracts, Quick Trade divides the execution into ten or less lots and allocates a lot to each participant. Each lot is considered a separate trade for purposes of allocating trades within Quick Trade. The rotation is designed to provide that the allocation of trades between the specialist and traders signed on to Quick Trade in a given option series is as set forth below.

<u>Number of Registered Options Traders on Quick Trade</u>	<u>Approximate Number of Contracts Allocated to the Specialist</u>	<u>Approximate Number of Contracts Allocated to the Registered Options Traders (as a group)</u>
<u>1</u>	<u>60%</u>	<u>40%</u>
<u>2 – 4</u>	<u>40%</u>	<u>60%</u>
<u>5 – 7</u>	<u>30%</u>	<u>70%</u>
<u>8 – 15</u>	<u>25%</u>	<u>75%</u>
<u>16 or more</u>	<u>20%</u>	<u>80%</u>

\* \* \* \* \*

**Rule 941—ANTE Operation of the Linkage**

By subscribing to the Plan, the Exchange has agreed to comply with, and enforce compliance by its Members with, the Plan. In this regard, the following shall apply:

(a) Pricing. Members may send P/A Orders and Principal Orders through the Linkage only if such orders are priced at the NBBO.

(b) P/A Orders.

(1) Sending of P/A Orders for Sizes No Larger than the Firm Customer Quote Size. A specialist may send through the Linkage a P/A Order for execution in the automatic execution system of a Participant Exchange if the size of such P/A Order is no larger than the Firm Customer Quote Size. Except as provided in subparagraph (b)(2)(ii) below, a specialist may not break up an order of a Public Customer that is larger than the Firm Customer Quote Size into multiple P/A Orders, one or more of which is equal to or smaller than the Firm Customer Quote Size, so that such orders could be represented as multiple P/A Orders through the Linkage.

(2) Sending of P/A Orders for Sizes Larger than the Firm Customer Quote Size. If the size of a P/A Order is larger than the Firm Customer Quote Size, a specialist may send through the Linkage such P/A Order in one of two ways:

(i) The specialist may send a P/A Order representing the entire Public Customer Order. If the receiving Participant Exchange's disseminated quotation is equal to or better than the Reference Price when the P/A Order arrives at that market, that exchange will execute the P/A Order at its disseminated quotation for at least the Firm Customer Quote Size. Within 15 seconds of receipt of such order, the receiving Participant

Exchange will inform the specialist of the amount of the order executed and the amount, if any, that was canceled.

(ii) Alternatively, the specialist may send an initial P/A Order for the Firm Customer Quote Size pursuant to subparagraph (b)(1) above. If the Participant Exchange executes the P/A Order and continues to disseminate the same quotation at the NBBO 15 seconds after reporting the execution of the initial P/A Order, the specialist may send an additional P/A Order to the same Participant Exchange. If sent, such additional P/A Order must be for at least the lesser of 100 contracts or the entire remainder of the Public Customer order.

In any situation where a receiving Participant Exchange does not execute a P/A Order in full, such exchange is required to move its quotation to a price inferior to the Reference Price of the P/A Order.

(c) Principal Orders.

(1) Sending of an Initial Principal Order. An Eligible Market Maker may send a Principal Order through the Linkage at a price equal to the NBBO. Subject to the next paragraph, if the Principal Order is not larger than the Firm Principal Quote Size, the receiving Participant Exchange will execute the order in its automatic execution system, if available, if its disseminated quotation is equal to or better than the price specified in the Principal Order when that order arrives at the receiving Participant Exchange. If the Principal Order is larger than the Firm Principal Quote Size, the receiving Participant Exchange will (a) execute the Principal Order at its disseminated quotation for at least the Firm Principal Quote

Size and (b) within 15 seconds of receipt of such order, reply to the sending Participant Exchange, informing such Participant Exchange of the amount of the order that was executed and the amount, if any, canceled. If the receiving Participant Exchange does not execute the Principal Order in full, it will move its quote to a price inferior to the Reference Price of the Principal Order.

(2) Receipt of Multiple Principal Orders. Once the Exchange provides an automatic execution of a Principal Order in a series of an Eligible Options Class (the "initial execution"), the Exchange may reject any Principal Order(s) in the same Eligible Option Class sent by the same Participant Exchange for 15 seconds after the initial execution unless: (a) there is a change of price in the Exchange's disseminated offer (bid) in the series of the Eligible Option Class in which there was the initial execution; and (b) such price continues to be the NBBO. After this 15 second period, and until the sooner of (y) one minute after the initial execution or (z) a change in the Exchange's disseminated bid (offer), the Exchange is not obligated to provide an automatic execution for any Principal Orders in the same Eligible Option Class received from the Participant Exchange that sent the order resulting in the initial execution, and thus may treat any such Principal Orders as being greater than the Firm Principal Quote Size.

(d) Responses to Linkage Orders.

(1) Failure to Receive a Timely Response. A Member who does not receive a response to a P Order or a P/A Order within 20 seconds of sending the order may reject any response received thereafter purporting to report an execution of all or part of that order. The Member so rejecting the response shall inform the

Participant Exchange sending that response of the rejection within 15 seconds of receipt of the response.

(2) Failure to Send a Timely Response. If a Member responds to a P Order or P/A Order more than 20 seconds after receipt of that order, and the Participant Exchange to whom the Member responded cancels such response, the Member shall cancel any trade resulting from such order and shall report the cancellation to OPRA.

(e) Receipt of Linkage Orders. The Exchange will provide for the execution of P/A Orders and Principal Orders if its disseminated quotation is (i) equal to or better than the Reference Price, and (ii) equal to the then current NBBO. Subject to paragraph (c) above, if the size of a P/A Order or Principal Order is not larger than the Firm Customer Quote Size or Firm Principal Quote Size, respectively, the Exchange will provide for the execution of the entire order, and shall execute such order in its automatic execution system if that system is available. Subject to paragraph (c) above, if the size of a P/A Order or Principal Order is larger than the Firm Customer Quote Size or Firm Principal Quote Size, respectively, or if the Linkage Order received is not eligible to be executed automatically because the Exchange's automatic execution system has been disengaged or is operating in a manner other than the normal manner for the reasons outlined in Rule 933— ANTE (f)(i), the specialist must address the order within 15 seconds to provide an execution for at least the Firm Customer Quote Size or Firm Principal Quote Size, respectively. For purposes of this Rule, the Exchange may provide an automatic execution for Linkage Orders even though the Exchange's automatic execution

system has been by-passed when a locked market has caused an inversion in the quote as set forth in Rule 933—ANTE (f)(i)(E). If the order is not executed in full, the Exchange will move its disseminated quotation to a price inferior to the Reference Price.

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**Rule 950—ANTE**

**Rules of General Applicability**

(a) The following Floor Rules shall apply to Exchange option transactions and other transactions on the Exchange in option contracts: 100, 101, 104, 105, 110, 112, 117, 123, 129, 130, 135, 150, 151, 152, 153, 155, 157, 172, 173, 174, 175, 176, 177, 181, 183, 184, 185, 192 and 193. Unless the context otherwise requires, the term "stock" wherever used in the foregoing Rules shall be deemed to include option contracts. Except as otherwise provided in this Rule, all other Floor Rules (series 100 et seq.) shall not be applicable to Exchange option transactions.

(b) The provisions of Rule 108 with the exception of paragraph (b)(2) and together with the following additional provisions shall apply to Exchange option transactions in connection with an opening:

(i) On the opening, the options specialist acting as principal, may only be on parity with orders for the accounts of broker-dealers (including, but not limited to, foreign broker-dealers, Registered Options Traders and Away Market Makers).

(c) The provisions of Rule 111 and Commentary thereto, with the exception of paragraphs (a)(1), (b), (d) and (e) and Commentaries .05 and .07 of such Rule and such other Commentary insofar as it relates to such paragraphs, shall apply to Exchange option transactions. In addition, the following commentary shall also apply:

**● ● ● Commentary**

.01 After the opening, an options specialist acting as principal, may only retain priority over or be on parity with orders for the accounts of broker-dealers (including, but not limited to, foreign broker-dealers, Registered Options Traders and Away Market Makers) but may not retain priority over or be on parity with off-floor orders for the accounts of public customers.

.02 Options orders for the accounts of broker-dealers (including, but not limited to, foreign broker-dealers, Registered Options Traders, specialists and Away Market Makers) may only retain priority over or be on parity with orders for the accounts of broker-dealers but may not retain priority over or be on parity with off-floor orders for the accounts of public customers.

.03 The number of Registered Option Traders in a trading crowd who are establishing or increasing a position for accounts in which they have an interest may temporarily be limited when, in the judgment of two Floor Officials, the interests of a fair and orderly market are served by such limitation.

.04 No member or member organization shall place, or permit to be placed, an order in a series of options with a specialist on the Exchange for an account of an Away Market Maker without so identifying that order to the specialist.

.05 Orders given out by Registered Options Traders to specialists.-- An on-Floor order given to a specialist by a Registered Options Trader for an account in which he has an interest may not have the privilege of a "stop" and shall be subject to the same restrictions as if the Registered Options Trader represented or handled the order himself.

(d) The provisions of Rule 126, with the exception of subparagraphs (a) and (b) of such Rule, shall apply to Exchange option transactions as modified by Commentaries .01 and .02 to Rule 950(c), and the following additional commentary shall also apply:

**● ● ● Commentary**

.01 When a member holding a spread order, a straddle order, or a combination order and bidding or offering on the basis of a total credit or debit for the order has determined that the order may not be executed by a combination of transactions with or within the bids and offers established in the marketplace, then the order may be executed as a spread, straddle, or combination at the total credit or debit with one other member without giving priority to either bids or offers established in the marketplace that are not better than the bids or offers comprising such total credit or debit, provided that, (i) in executing a spread order, the member does not buy at the established bid for the option contract to be bought and sell at the established offer for the option contract to be sold or, (ii) in executing a straddle or combination order, the member does not either buy both sides of the order at the established bids or sell both sides of the order at the established offers.

.02 A member who holds both an order for a public customer of a member organization and a facilitation order may cross such orders if:

(a) the member organization discloses on its order ticket for the public 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

(b) the member requests bids and offers for the option series subject to facilitation, then discloses the public customer order and any contingency respecting such order which is subject to facilitation and identifies the order as being subject to facilitation; and

(c) after providing an opportunity for such bids and offers to be made, the member, on behalf of the public customer whose order is subject to facilitation, either bids above the highest bid or offers below the lowest offer in the market. After all other market participants are given an opportunity to accept the bid or offer made on behalf of the public customer

whose order is subject to facilitation, the member 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).

(d)(1) notwithstanding paragraph (c) above, a member firm seeking to facilitate its own public customer's equity 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 the percentages set forth below:

(i) 20% of the order if the order is traded at the best bid or offer given by the trading crowd in response to a floor broker's request for a market; or

(ii) 40% of the order if the member firm improves the market that was provided by the trading crowd in response to a floor broker's request and the order is traded at that best bid or offer.

If, however, a public customer order on the specialist's book or represented in the trading crowd has priority over the facilitation order, the member firm may participate in only those contracts remaining after the public customer's order has been filled.

(2) the eligible order size shall be 400 contracts or larger, unless the Exchange has established a smaller eligible order size, however, the eligible order size shall not be smaller than 50 contracts.

(3) if a facilitation transaction pursuant to this subparagraph (d) occurs at the specialist's bid or offer, the specialist shall be allocated the greater of either (i) 20% of the executed contracts if the facilitating member firm, pursuant to subparagraph (d)(1)(i), has participated to the extent of 20% of the executed contracts; or (ii) a share of the executed contracts that have been divided equally among the specialist and other participants to the

trade. The specialist's participation allocation pursuant to trading floor practices, shall only apply to the number of contracts remaining after all public customer orders and the member firm's facilitation order have been satisfied. However, the total number of contracts guaranteed to be allocated to the member firm and the specialist in the aggregate shall not exceed 40% of the facilitation transaction. If the facilitation transaction occurs at a price which the specialist is not on parity, the specialist is entitled to no guaranteed participation allocation.

(4) nothing in this subparagraph (d) is intended to prohibit a member firm 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 facilitation order.

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

.03 A member or member organization representing an order in options ("originating order") may solicit another member, member organization or non-member broker dealer outside the trading crowd ("solicited party") to participate in the transaction on a proprietary basis provided the member or member organization, 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 member may cross all or any remaining part of the originating order with the solicited party at such bid or offer by announcing that the member 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 155.

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.

.04 The following types of orders must be presented by a floor broker outside the ANTE System: (i) originating orders and solicited orders, (ii) orders being facilitated; and (iii) orders being crossed.

.05 It may be considered conduct inconsistent with just and equitable principles of trade for any member or person associated with a member, who has knowledge of all material terms and conditions of (i) an originating order and a solicited order, (ii) an order being facilitated, or (iii) orders being crossed, the execution of which are imminent, to enter, based on such knowledge, an order to buy or sell an option of the same class as any option that is the subject of the order, or an order to buy or sell the security underlying such class, or an order to buy or sell any related instrument until either (i) all the terms of the originating order and any changes in the terms and conditions of the order of which that member or associated person has knowledge are disclosed to the trading crowd or (ii) the trade can no longer reasonably be

considered imminent in view of the passage of time since the order was received. For purposes of this Commentary .05, an order to buy or sell a "related instrument," means, in reference to an index option, an order to buy or sell securities comprising ten percent or more of the component securities in the index or an order to buy or sell a futures contract on any economically equivalent index.

**.06 (a) Purchase Priority**—For trades occurring outside the ANTE System only, if a member purchases one or more option contracts of a particular series at a particular price or prices such member shall, at the next lower price at which a member other than an Exchange Broker or specialist representing a customer agency order entitled to priority pursuant to Rule 950—ANTE (c), have priority in purchasing up to the equivalent number (or a reasonably larger number) of option contracts of the same series that he purchased at the higher price or prices, but only if his bid is made promptly and the purchase so effected represents the opposite side of a transaction with the same order or offer as the earlier purchase or purchases.

**(b) Sale Priority**—For trades occurring outside the ANTE System only, if a member sells one or more option contracts of a particular series at a particular price or prices, he shall, at the next higher price at which a member other than an Exchange Broker or specialist representing a customer agency order entitled to priority pursuant to Rule 950—ANTE (c), have priority in selling up to the equivalent number (or a reasonable larger number) of option contracts of the same series that he sold at the lower price or prices, but only if his offer is made promptly and the sale so effected represents the opposite side of a transaction with the same order or bid as the earlier sale or sales.

Two or more members entitled to priority. If the bids or offers of two or more members are both entitled to priority in accordance with paragraph (a) or paragraph (b), it shall be afforded them insofar as practicable, on a pro-rata basis.

.07 For trades occurring outside the ANTE System, when two or more bids (offers) are made simultaneously by the specialist dealing for his own account and by registered options traders, all such bids (offers) shall be on parity and any contracts sold (bought) in execution of such bids (offers) shall be divided among the specialist and registered options trader(s) so that the specialist shall receive the following percentage of contracts executed and the registered options traders shall divide the remainder in accordance with Rule 950—ANTE (I),

Commentary .03(a)(iii):

<u>Number of Registered</u> <u>Options Traders on Parity</u>	<u>Approximate</u> <u>Percentage of Contracts</u> <u>Allocated to the</u> <u>Specialist</u>	<u>Approximate</u> <u>Percentage of Contracts</u> <u>Allocated to the</u> <u>Registered Options</u> <u>Traders (as a group)</u>
<u>1</u>	<u>60%</u>	<u>40%</u>
<u>2 – 4</u>	<u>40%</u>	<u>60%</u>
<u>5 – 7</u>	<u>30%</u>	<u>70%</u>
<u>8 – 15</u>	<u>25%</u>	<u>75%</u>
<u>16 or more</u>	<u>20%</u>	<u>80%</u>

Notwithstanding the foregoing, neither the specialist nor a registered options trader will be allocated more executed contracts than the number of contracts representing the specialist's or registered options trader's portion of the aggregate quotation size, as that term is used in Rule

958A, except, when the number of executed contracts to be allocated exceeds the aggregate quotation size disseminated for that options series.

(e) The types of orders specified in Rule 131 and the following additional types of orders shall be applicable to Exchange option transactions:

(i) **Spread Order**--A spread order is an order to buy a stated number of option contracts and to sell the same number of option contracts, or contracts representing the same number of shares at option (if the underlying security is a stock or Exchange-Traded Fund Share) or the same principal amount (if the underlying security is a Government security or a certificate of deposit), in a different series of the same class of options.

(ii) **Straddle Order**--A straddle order is an order to buy a number of call option contracts and the same number of put option contracts with respect to the same underlying security, or put and call option contracts representing the same number of shares at option (if the underlying security is a stock or Exchange-Traded Fund Share) or the same principal amount (if the underlying security is a Government security or a certificate of deposit), and having the same exercise price and expiration date; or an order to sell a number of call option contracts and the same number of put option contracts with respect to the same underlying security, or put and call option contracts representing the same number of shares at option (if the underlying security is a stock or Exchange-Traded Fund Share) or the same principal amount (if the underlying security is a Government security or a certificate of deposit), and having the same exercise price and expiration date. (E.g., an order to buy two XYZ July 50 calls and to buy two XYZ July 50 puts is a straddle order; or an order to buy ten March 90 calls on Treasury bonds whose underlying principal value is \$20,000 and to buy two March 90 puts on Treasury bonds whose underlying principal value is \$100,000 is a straddle order). In the case of adjusted option contracts, a

straddle order need not consist of the same number of put and call contracts if such contracts both represent the same number of shares at option.

(iii) **Combination Order**--A combination order is an order involving a number of call option contracts and the same number of put option contracts in the same underlying security and representing the same number of shares at option (if the underlying security is a stock or Exchange-Traded Fund Share) or the same principal amount (if the underlying security is a government security). In the case of adjusted option contracts, a combination order need not consist of the same number of put and call contracts if such contracts represent the same number of shares at option.

(iv) **Facilitation Order**--A facilitation order is an order which is only executed, in whole or in part, in a cross transaction with an order for a public customer of the member organization. All facilitation orders must be marked as required by the Exchange.

(v) **Immediate or Cancel Order**—An immediate or cancel order is a market or limited price order which is to be executed in whole or in part as soon as such order is represented in the ANTE System, and the portion not so executed is to be treated as cancelled. For the purposes of this definition, a "stop" is considered an execution.

(vi) **Fill or Kill**—A fill or kill order is a market or limited price order which is to be executed in its entirety as soon as it is represented in the ANTE System, and such order, if not so executed, is to be treated as cancelled. For purposes of this definition, a "stop" is considered an execution.

(f) The provisions of Rule 154 and Commentary thereto, with the exception of paragraphs .11 and .13 of such Commentary, shall apply to Exchange option transactions and the following additional Commentary shall also apply:

● ● ● **Commentary**

.01 Unless the Exchange otherwise directs, a specialist shall accept stop orders and stop limit orders in option contracts in which he is so registered. A specialist shall not accept spread orders or straddle orders in option contracts in which he is so registered. In the case of stop limit orders, the stop price and limit price need not be identical.

.02 A stop order and a stop limit order in option contracts shall be elected as set forth in Rule 154 Commentary .04, and shall also be elected by a quotation as follows:

A stop order to buy becomes a market order when the bid price in the options series is at or above the stop price, after the order is represented in the ANTE System. A stop order to sell becomes a market order when the offer price in the option series is at or below the stop price, after the order is represented in the ANTE System.

A stop limit order to buy becomes a limit order executable at the limit price or at a better price, if obtainable, when the bid price in the option series is at or above the stop price, after the order is represented in the ANTE System.

A stop limit order to sell becomes a limit order executable at the limit price or at a better price, if obtainable, when the offer price in the option series is at or below the stop price, after the order is represented in the ANTE System.

.03 Open limited price orders, stop limit orders and stop orders for one or more option contracts, held by a specialist prior to the effective date of an adjustment by the Options Clearing Corporation to the terms of a class of options pursuant to the rules of the Options Clearing Corporation, shall be adjusted by the ANTE System on the "ex-date" by such amount as the Options Clearing Corporation shall specify, unless he is otherwise instructed by the member or member organization that entrusted the order to him.

.04 A stop order elected by the opening trade becomes a market order and is executed on the opening bid or offer.

(g) The provisions of Rule 156, together with the following additional provision, shall apply to Exchange option transactions:

A broker who has been given a spread order, or a straddle order or a combination order shall not be held responsible for an execution based upon transaction prices that are established at the opening or close of trading.

**● ● ● Commentary**

.01 In connection with the specialist's obligation to execute or display customer options limit orders immediately or in no event later than 30 seconds from the time of receipt, the specialist shall maintain and keep active the ANTE limit order quote assist feature. The Exchange will establish the time frame within which the quote assist feature will display eligible customer limit orders. The specialist may deactivate the quote assist feature provided Floor Official approval is obtained. Such approval must be obtained no later than three minutes after deactivation. Use of the quote assist feature will be on a one year pilot program basis, which will expire on or about April 1, 2005 or the first anniversary of the use of the ANTE System, whichever is later.

(h) The provisions of Rule 171 and Commentary thereto shall apply to the trading of option contracts, however, the option specialist financial requirement shall be equal to a minimum of \$1,000,000 plus \$25,000 for each option issue in excess of the initial twenty-five issues in which such specialist is registered.

**● ● ● Commentary**

.01 For an option specialist that is also an equity security specialist subject to the requirements of Rule 171, the minimum \$1,000,000 referred to in Rule 171 shall apply to the entirety of the specialist's business, in both equities and options. For example, a specialist maintaining a book in both equity securities and options that is allocated only one equity security and one option (assuming the cost to carry 60 units of the equity stock does not exceed \$1,000,000) would be required to satisfy the minimum financial requirement of \$1,000,000.

(i) The provisions of Rule 186 shall apply to the trading of option contracts with the addition of the following Commentary:

**● ● ● Commentary**

.01 With respect to a specialist registered in one or more classes of options:

Paragraph (a) of this Rule shall be deemed to prohibit the holding of any office or directorship of the corporation which is the issuer of the underlying stock that is the subject of any such class of options.

Paragraph (b) of this Rule shall be deemed to prohibit the nomination of any person to, and the representation by a nominee on, the Board of Directors of the corporation which is the issuer of the underlying stock that is the subject of any such class of options.

Paragraph (c) of this Rule shall be deemed to prohibit the solicitation of proxies in respect of the underlying stock that is the subject of any such class of options.

Paragraph (d) of this Rule shall be deemed to prohibit, in any proxy contest involving the underlying stock that is the subject of any such class of options, the voting of any such stock in which the persons or parties specified in paragraph (a) have a beneficial interest.

.02 The term "corporation which has a security admitted to trading on the Exchange" as used in paragraph (a) of this Rule shall not be deemed to include the Options Clearing Corporation.

(j) The provisions of Rule 190 shall apply to the trading of option contracts with the addition of the following Commentary:

**● ● ● Commentary**

.01 With respect to a specialist registered in one or more classes of options:

(1) Paragraph (a) of this Rule shall be deemed to prohibit any material business transactions with the company, which is the issuer of the underlying stock that is the subject of any such class of options or with any officer, director or 10% stockholder of any such company. A material transaction for purposes of this Commentary . 01 is one, which is material in value either to the issuer or the specialist; would provide access to material non-public information relating to the issuer; or would give rise to a control relationship between the issuer and the specialist.

(2) Paragraph (b) of this Rule shall be deemed to prohibit the acceptance of any order for the purchase or sale of an option contract of any such class directly (1) from the company which is the issuer of the underlying stock that is the subject of any such class of options, (2) from any officer, director or 10% stockholder of any such company, (3) from any pension or profit-sharing fund with assets exceeding \$5,000,000, or (4) from any bank, trust company, insurance company, investment company or similar institution. This Rule shall not be deemed to prohibit the acceptance of orders for the purchase or sale of the underlying stock from pension and profit-sharing funds, banks, trust companies, investment companies and similar institutions.

.02 It is contrary to good business practice for a specialist or his member organization, or any member, officer, employee or approved person therein to make any recommendation in any stock underlying an equity option in which such specialist is registered or to make public statements, oral or written, for the purpose of encouraging or discouraging the purchase or sale of any such stock. Notwithstanding the foregoing, a member organization, which is or is associated with a registered options specialist may publish or distribute information, an opinion or a recommendation regarding securities of the issuer of the stock underlying its specialty option provided:

(1) Such information, opinion or recommendation is contained in a publication which:

(i) Is distributed with reasonable regularity in the normal course of business, and

(ii) Includes similar information, opinions or recommendations with respect to a substantial number of companies in the issuer's industry or sub-industry, or contains a comprehensive list of securities it is currently recommending.

(2) Such information, opinion or recommendation:

(i) Is given no materially greater space or prominence in such publication than that given to other securities or issuers; and

(3) Projections of the issuer's sales or earnings are not included unless they are also included with respect to either a substantial number of companies in the issuer's industry or sub-industry or all companies in a comprehensive list which is contained in the publication, and cover the same periods with respect to such companies as with respect to the issuer; and

(4) Appropriate disclosure is made relating to potential conflicts of interest, as follows:

(i) The member organization is, or is associated with, a specialist who makes a market in the option;

(ii) At any given time, the specialist may have an inventory position, either "long" or "short," in the option; and

(iii) As a result of the specialist's function as such, such specialist may be on the opposite side of orders executed on the Floor of the Exchange in the option.

(k) The provisions of Rule 191 and Commentary thereto shall apply to Exchange option transactions with the following amendments to the Commentary:

**● ● ● Commentary**

.01 For purposes of the reporting requirements under paragraph (b) of Rule 191, a security directly related to a security (other than a class of options traded on the Exchange) in which a Specialist is registered would include all securities of the same issuer, and a security directly related to a class of options traded on the Exchange in which a Specialist is registered would include:

(i) if the class of options relates to an underlying stock, such underlying stock and all other securities of the issuer thereof convertible into or exchangeable for shares of the underlying stock, or

(ii) if the class of options relates to an underlying Treasury bond or Treasury note, such Treasury bond or Treasury note, or

(iii) if the class of options relates to an underlying Treasury bill or certificate of deposit, every Treasury bill or certificate of deposit, respectively, which is, or could be in the future, deliverable in connection with the exercise of an option in such class.

Securities indirectly related to a security (other than a class of options traded on the Exchange) in which a Specialist is registered would include any securities of an issuer other than the issuer of such security which, because of merger or acquisition plans or inter-

corporate relationships, can reasonably be expected to have a price relationship to the security in which the Specialist is registered.

.02 Each specialist in an option contract shall file with the Exchange, on a daily basis, reports containing the information required pursuant to paragraph (b) under Rule 191 with respect to transactions in any contract for the future delivery of a Government security or certificate of deposit which permits delivery of the security underlying the option contract in which the specialist is registered, and any option contract which, following exercise, would require the delivery of such a futures contract.

.03 The Exchange may, from time to time, request reports of transactions in various Government securities by Specialists who are registered in options on other Government securities. Therefore, each Specialist who is registered in an option covering a Treasury bond, Treasury note, or Treasury bill shall keep records of his transactions in all Treasury bonds, Treasury notes or Treasury bills, as the case may be, which records shall contain the categories of information required pursuant to paragraph (b) under Rule 191.

(l) The provisions of Rule 170 and Commentaries .03 and .04 thereto, shall apply to exchange option transactions. In addition, the following Commentary shall also apply:

**● ● ● Commentary**

.01 A specialist in the course of maintaining a fair and orderly market shall adhere to the maximum permissible bid/ask differentials set forth in Rule 958—ANTE (c).

.02 Specialists and registered options traders are required to compete with each other to improve the quoted markets in all series of option classes which they trade. Unless otherwise provided for in Exchange rules, it shall be a violation of just and equitable principles of trade for specialists and registered options traders to determine by agreement the spreads or prices at

which they will trade any option class, or the allocation of orders in any option class. In complying with this Rule, the specialist and registered option traders must make independent decisions to determine the spreads or prices at which they will quote and trade any option class. There are, however, certain specific circumstances where to make fair and orderly markets that are competitive with other exchanges and responsive to the needs and expectations of investors, some communication among the specialist and traders may be necessary and appropriate. Therefore, notwithstanding the foregoing:

(a) Specialists are expected to participate in and support Exchange-sponsored automated systems such as automatic quote and execution systems or Exchange-approved equivalents. The variables in the formula used to generate automatically updated quotations for each option class and or series will be determined independently by the specialist. The specialist may receive input from the registered options traders on any one or all of these variables provided, however, it is within the specialist's sole discretion to make the final, independent decision in determining the variables to be used in the automated quote system. The registered options traders, however, are not required to give input on the variables to the specialist;

(b) The obligation of the specialists to make competitive markets does not preclude the specialists and registered options traders from making a collective response to a request for a market, provided the member representing such order requests such response and the size of the order is larger than the greater of the size communicated or disseminated pursuant to Rule 958A or the automatic matching and execution eligible order size parameter. In addition, the specialist may unilaterally give a single bid (offer) in response to a request for a market and subsequently discuss with the registered options traders whether they wish to

participate in contracts executed in accordance with that bid (offer). The allocation of contracts executed in accordance with this paragraph will be done in accordance with Rule 950(d) Commentary .07; and

(c) In those situations where a registered options trader voluntarily chooses to join the specialist's quote (see, Rule 958—ANTE (h)) and in conjunction with their obligation as the responsible broker or dealer pursuant to Exchange Rule 958A—ANTE (a)(ii)(A) and Rule 11Ac1-1 under the Securities Exchange Act of 1934, specialists and registered options traders may on a voluntary basis collectively agree to the best bid, best offer and aggregate quotation size required to be communicated to the Exchange pursuant to paragraph (c)(i) of Rule 958A—ANTE.

.03 (a) The ANTE system will allocate executed contracts among all participants to a trade, except in those situations where an execution has occurred outside the ANTE System. It is the responsibility of the specialist when an execution has occurred outside the ANTE system to allocate executed contracts among all participants to a trade. In allocating executed contracts outside the ANTE System, the specialist will be obligated to use best efforts to attempt to ensure that the registered options trader responsible for announcing the best bid or offer during a crowd trade be appropriately allocated executed contracts in accordance with the participation provisions found in Rule 950—ANTE (d), Commentary .07.

(i) In order for specialists to fulfill this function, registered options traders must announce either at the start of the trading day, upon entry into the trading crowd or prior to the dissemination of a quotation, the number of contracts for each option series in which they are willing to participate. The specialist may not assume a size for any registered options trader and

only those registered options traders that have announced their sizes as discussed above will be allocated any executed contracts.

(ii) The registered options traders announced sizes shall be promptly communicated to the Exchange as required by Rule 958A—ANTE (c)(i).

(iii) As transactions occur the specialist shall allocate to the extent mathematically possible (A) the portion of the executed contracts that the customer is entitled to subject to subparagraph (v) of this paragraph (a); (B) the portion of the executed contracts that the specialist is entitled to pursuant to the participation percentages set forth in Rule 950—ANTE (d), Commentary .07; and then (C) the portion of the executed contracts participating registered options traders are entitled to individually. The allocation pursuant to (C) is subject to the following provisions:

1. where all participants have equal stated sizes, their participations shall be equal;
2. where participants' stated sizes are not equal, their participations will depend upon whether the number of executed contracts left to be allocated exceeds the participants' aggregate stated sizes;
3. if the number of executed contracts left to be allocated does not exceed the participants' aggregate stated sizes, the specialist will allocate the executed contracts equally, unless a participant's stated size is for an amount less than an equal allocation, then the smallest sizes will be allocated first, until the number of executed contracts remaining to be allocated requires an equal allocation.

4. if the number of executed contracts left to be allocated does exceed the participants' aggregate stated sizes, the specialist will allocate the executed contracts by first allocating to each participant the number of executed contracts equal to each participant's stated size with the remainder being allocated based on the percentage a participant's stated size is of the participants' aggregate stated size.
5. The following chart illustrates how different numbers of executed contracts will be allocated to participants whose aggregate stated size is 100 contracts:

Number of Executed Contracts to be Allocated

<u>Each Participant's Stated Size</u>	<u>200</u>	<u>90</u>	<u>70</u>	<u>50</u>
<u>50</u>	<u>100</u>	<u>40</u>	<u>25</u>	<u>17</u>
<u>30</u>	<u>60</u>	<u>30</u>	<u>25</u>	<u>17</u>
<u>20</u>	<u>40</u>	<u>20</u>	<u>20</u>	<u>16</u>

(iv) In the event a specialist or registered options trader declines to accept any portion of the available contracts, any remaining contracts shall be apportioned among the remaining participants who bid or offered at the best price at the time the market was established in accordance paragraph (iii) above, until all contracts have been allocated.

(v) Specialists and registered options traders may direct some or all of their participation amount to competing public orders in the trading crowd.

(b) Notwithstanding the foregoing, when the transaction occurs without the participation of the specialist (either as principal or agent), the floor broker representing the contra-side of the trade shall distribute the executed contracts equally among the participating registered options traders, unless a registered options trader's portion of the disseminated size is less than an equal distribution. That registered options trader will be given a less than equal distribution and the remaining contracts will be allocated equally among the remaining participants to the trade. In addition, if neither the specialist nor a floor broker representing a customer as the contra-side of the trade is participating in the trade, the participating registered options traders shall allocate the executed contracts among themselves and other participants on parity in accordance with subparagraph (a)(iii) above.

(m) The provisions of Rule 109 and Commentary thereto except for those provisions, which provide for "stopping" in markets with the minimum spread between the bid and offer shall apply to Exchange options transactions.

(n) The provisions of Rule 103, with the exception of subparagraphs (c)(2) and (3) and Commentaries .01-.03 thereto, shall apply to Exchange option transactions.

\* \* \* \* \*

**Rule 951—ANTE**

**Premium Bids and Offers**

**Rule 951.** (a) All bids or offers made on the Floor and through the facilities of the Exchange for option contracts shall be deemed to be for one option contract unless a specific number of

option contracts is expressed in the bid or offer. A bid or offer for more than one option contract shall be deemed to be for the amount thereof or a smaller number of option contracts.

(b) Except as provided in paragraph (c), all bids or offers made on the Floor and through the facilities of the Exchange for option contracts relating to an underlying stock or Exchange-Traded Fund Share shall be expressed in terms of dollars per share of the underlying stock or Exchange-Traded Fund Share (e.g., a bid of "5" shall represent a bid to pay a premium of \$500 for an option contract having a unit of trading consisting of 100 shares of an underlying stock or Exchange-Traded Fund, or a bid to pay a premium of \$5000 for an option contract having a unit of trading consisting of 1000 shares of an underlying stock or Exchange-Traded Fund).

(c) All bids or offers for an option contract for which The Options Clearing Corporation has established an adjusted unit of trading in accordance with paragraph (c) and (d) of Section 11 of Article VI of the By-laws of The Options Clearing Corporation shall be expressed in terms of dollars per the appropriate fractional part of the total securities and/or other property constituting such adjusted unit of trading (e.g., where the adjusted unit of trading of an option contract consists of 110 shares of an underlying stock or Exchange-Traded Fund plus 15 rights, a bid of "5" shall represent a bid to pay a premium of \$550 for each option contract covering both the shares of underlying stock or Exchange-Traded Fund and the rights).

(d) All bids or offers made on the Floor and through the facilities of the Exchange for option contracts relating to an underlying Treasury bill shall be expressed as a percentage of an amount which shall be determined by multiplying the principal amount of the underlying Treasury bill by a fraction whose numerator shall be the number of weeks to maturity of the underlying Treasury bill and whose denominator shall be 52.

(e) All bids or offers made on the Floor and through the facilities of the Exchange for option contracts relating to an underlying Treasury bond or Treasury note shall be expressed as a percentage of the principal amount of the underlying Treasury bond or Treasury note.

(f) All bids or offers made on the Floor and through the facilities of the Exchange for option contracts relating to an underlying certificate of deposit shall be expressed as a percentage of \$250,000 (e.g., a bid of "1" shall represent a bid to pay a premium of 1% of \$250,000--i.e., \$2,500--for an option contract).

**●●●Commentary**

.01 If the bid or offer of a specialist or registered options trader locks or crosses the ABBO, the ANTE System will either (i) revise the bid by one or more minimum price variations lower than the bid submitted or revise the offer by one or more minimum price variations higher than the offer submitted, so that the bid or offer submitted does not lock or cross the ABBO; or (ii) if the ABBO represents an off-floor limit order, the ANTE System will execute the order and allocate the trade pursuant to the post trade allocation process.

.02 The bid and offer of a Specialist or Registered Trader for a Treasury bill option contract covering \$1,000,000 principal amount of underlying 13-week Treasury bills automatically shall include a bid and offer for another Treasury bill option contract identical to the first contract in all respects except that it shall cover \$200,000 principal amount of underlying 13-week Treasury bills. The bid and offer for the smaller sized option contract shall be no wider than .01 less on the bid and .01 more on the offer than the stated bid and offer for the larger sized option contract.

.03 The bid and offer of a Specialist or Registered Trader for a Treasury note option contract covering \$100,000 principal amount of underlying Treasury notes automatically shall

include a bid and offer for another Treasury note option contract identical to the first contract in all respects, except that it shall cover \$20,000 principal amount of underlying Treasury notes. The bid and offer for the smaller sized option contract shall be no wider than 1/32 less on the bid and 1/32 more on the offer than the stated bid and offer for the larger sized option contract.

.04 The quotations disseminated by the Exchange for options on a particular Treasury bill or Treasury note shall be for the largest size option contract traded on the Exchange covering that Treasury bill or Treasury note.

\* \* \* \* \*

**Rule 955—ANTE**

**Floor Reports of Exchange Option Transactions**

**Rule 955.** (a) If a specialist shall fail to send a report with respect to an option contract order which he executed or should have executed and the member or member organization giving the Specialist such order shall have made a written request to the Specialist for a report by one hour prior to the opening of trading on the following business day, the specialist shall be responsible for any loss which may be sustained until such time as he answers the request.

**●●●Commentary**

.01 A report shall be deemed to have been sent by a specialist if he has an ANTE System record of the execution or if he prepares and has available a commission stub or original order, both of which must bear the date the report was sent. The date stamp shall be in such form as may be authorized by the Exchange.

.02 Members and member organizations expecting reports should make written requests for reports promptly; a duplicate copy of such request must be stamped and retained by the member or member organization as a record that the request has been made.

.03 In the event a report has not been sent by a Specialist with respect to an option contract order which he executed or should have executed and the member or member organization leaving such order with the Specialist for execution makes a written request to the Specialist for a report later than one hour prior to the opening of trading on the business day following the day on which such order was executed or should have been executed, the Specialist shall not, without his consent, be responsible for any loss sustained.

\* \* \* \* \*

**Rule 958—ANTE Options Transactions of Registered Options Traders**

No registered options trader shall initiate an Exchange option transaction on the Floor and through the facilities of the Exchange for any account in which he has an interest except in accordance with following provisions:

(a) Each registered options trader electing to engage in Exchange option transactions shall be assigned by the Exchange one or more classes of options in accordance with procedures set forth in Commentary .05, and Exchange option transactions initiated by such registered options trader on the Floor and through the facilities of the Exchange for any account in which he has an interest shall to the extent prescribed by the Exchange be in such assigned classes.

(b) Exchange option transactions of a registered options trader should constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market and no registered options trader should enter into transactions or make bids or offers that are inconsistent with such a course of dealings.

(c) With respect to each class of options as to which he is assigned by the Exchange, a registered options trader, whenever he participates in the trading of an options class in other than a floor brokerage capacity, or is called upon by a Floor Official or a floor broker acting in an

agency capacity, is required to make competitive bids and offers as reasonably necessary to contribute to the maintenance of a fair and orderly market and shall engage, to a reasonable degree under the existing circumstances, in dealings for his own account when there exists a lack of price continuity, a temporary disparity between the supply of and demand for option contracts of a particular series, or a temporary distortion of the price relationships between option contracts of the same class. Without limiting the foregoing, a registered options trader is expected to perform the following activities in the course of maintaining a fair and orderly market:

(i) If the underlying security is a stock or Exchange-Traded Fund Share, bidding and offering so as to create differences of no more than \$0.25 between the bid and the offer for each option contract for which the prevailing bid is less than \$2, no more than \$0.40 where the prevailing bid is \$2 but does not exceed \$5, no more than \$0.50 where the prevailing bid is more than \$5 but does not exceed \$10, no more than \$0.80 where the prevailing bid is more than \$10 but does not exceed \$20, and no more than \$1 where the last prevailing bid is more than \$20. In the event the bid/ask differential in the underlying security is greater than the bid/ask differential set forth herein, the permissible price differential for any in-the-money option series may be identical to those in the underlying security market.

If the underlying security is a Treasury bill or certificate of deposit, bidding and offering so as to create differences in premium quotations of no more than 0.06 between the bid and the offer for each option contract for which the last preceding transaction price was 0.12 or less, no more than 0.12 where the last preceding transaction price was more than 0.12 but did not exceed 1.20, and no more than 0.16 where the last preceding transaction price was more than 1.20; and

If the underlying security is a Treasury bond or Treasury note, bidding and offering so as to create differences of no more than 1/8% of the principal amount of the underlying security between the bid and the offer for each option contract for which the last preceding transaction price was 1/4% or less, no more than 1/4% where the last preceding transaction price was more than 1/4% but did not exceed 4%, and no more than 3/8% where the last preceding transaction price was more than 4%;

Provided that the Exchange may establish differences other than the above for one or more series or classes of options.

(ii) If the underlying security is a stock or an Exchange-Traded Fund Share, bidding no more than \$1 lower and/or offering no more than \$1 higher than the last preceding transaction price for the particular option contract; if the underlying security is a Treasury bill or certificate of deposit, bidding no more than 0.09 lower and/or offering no more than 0.09 higher than the last preceding transaction price for the particular option contract; if the underlying security is a Treasury note or Treasury bond, bidding no more than 3/8% lower and/or offering no more than 3/8% higher than the last preceding transaction price for the particular option contract.

However, this standard shall not ordinarily apply if the price per share of an underlying stock or Exchange-Traded Fund Share has changed by more than \$1, or if the annualized discount or annualized yield of the underlying Treasury bills or certificates of deposit, respectively, in the cash market has changed by more than 0.09, or if the price of an underlying Treasury bond or note has changed by more than 3/8%, since the last preceding transaction for the particular option contract.

(d) With respect to classes of options other than those to which he has been assigned, a registered options trader, whenever he enters the trading crowd or is called upon by a Floor Official, shall undertake the obligations specified in paragraph (c) of this Rule.

(e) No equity specialist, odd-lot-dealer or NASDAQ market maker may act as a registered options trader in a class of stock options on a stock in which he is registered in the primary market therefore, provided, however, that an equity specialist may act as a registered options trader in a class of stock options on an Exchange-Traded Fund Share or a Trust Issued Receipt in which he is registered in the primary market therefore if the Exchange-Traded Fund Share or Trust Issued Receipt meets the criteria set forth in Commentary .03(a) to Amex Rule 1000 or Commentary .02(a) to Amex Rule 1000A or approved by the Securities and Exchange Commission as eligible for trading arrangements under this paragraph and Rule 175(c)(2).

(f) No member while acting as a registered options trader if he is also registered as a registered equity trader or registered equity market-maker shall execute a proprietary Exchange option transaction on a Paired Security if during the preceding 60 minutes he has been in the Designated Stock Area where the related security is traded.

(g) A registered options trader, when entering into an options transaction for any account in which he has an interest, must initiate such transactions on the Floor and through the facilities of the Exchange for those transactions to be considered registered options trader transactions. Except as otherwise determined by the Exchange, a minimum of 25% of a registered options trader's option contract volume and a minimum of 25% of a registered options trader's total number of options transactions in any calendar quarter must be executed in person and not through the use of orders represented by another member or member organization, provided, however, that for any calendar quarter in which a registered options trader receives registered

options trader treatment for off-floor orders in accordance with Commentary .01 of this Rule, in addition to satisfying the requirements of Commentary .03 of this Rule 958—ANTE, the registered options trader must execute in person, and not through the use of orders represented by another member or member organization, at least 80% of his total transactions and option contract volume.

(h) (i) Registered options traders may choose to either use an Exchange provided or proprietary automated quote calculation system to calculate and submit quotes in all or some of their assigned classes; join the specialist's disseminated quotation with the ability to manually change that quotation on a series-by-series basis in those classes the registered options trader has chosen not to use an automated quote calculation system; or enter orders into the ANTE System from their hand-held device.

(ii) Whenever a registered options trader is either using an automated quote calculation system (pursuant to (i) above); joining the specialist's quote in a given option class (pursuant to (ii) above); or sending an order into the ANTE System, the registered options trader must be physically present at the specialist's post on the floor of the Exchange where that option class is traded.

(iii) (A) Registered options traders who transacts more than 20% of their contract volume in an assigned option class electronically and not through open outcry, measured over a calendar quarter, shall, commencing the next calendar quarter, be obligated to maintain continuous two-sided electronic quotations for at least ten contracts in a certain percentage of series in that option class. The quotes must comply with the maximum bid/ask differentials set forth in paragraph (c) above. The percentage of series a registered options trader is obligated to electronically quote will vary depending on the amount of contract volume executed

electronically on the Exchange in that option class. The Exchange will establish for each option class the percentage of series, which must be continuously quoted by those registered options traders based upon the Exchange's percentage of electronic contract volume as set forth below:

<u>Percentage of Overall Contract Volume Executed Electronically on the Exchange During the Previous Calendar Quarter</u>	<u>Registered Options Traders Electronic Quoting Requirement Percentage of Series</u>
<u>50% or Below</u>	<u>20%</u>
<u>51% - 75%</u>	<u>40%</u>
<u>Above 75%</u>	<u>60%</u>

(B) For the first 90 days after an option class begins trading on the ANTE System, registered options traders will not have the electronic quoting requirement discussed above.

(C) Registered options traders whose electronically transacted contract volume is less than 20% in a given option class, measured over a calendar quarter, shall not have the electronic quoting obligation described above in that option class.

(i) Registered options traders and specialists are required to compete with each other to improve the quoted markets in all series of option classes which they trade. Unless otherwise provided for in Exchange rules, it shall be a violation of just and equitable principles of trade for registered options traders and specialists to determine by agreement the spreads or prices at which they will trade any option class, or the allocation of orders in any option class. In complying with this Rule, the registered option traders and specialist must make independent

decisions to determine the spreads or prices at which they will quote and trade any option class. There are, however, certain specific circumstances where to make fair and orderly markets that are competitive with other exchanges and responsive to the needs and expectations of investors, some communication among the specialist and registered options traders may be necessary and appropriate. Therefore, notwithstanding the foregoing:

(i) Whenever the registered options trader voluntarily chooses to participate in the specialist's quote, the variables in the formula used to generate automatically updated quotations for each option class and or series will be determined by the specialist. The specialist may receive input from the registered options traders on any one or all of these variables, provided, however, that it is within the specialist's sole discretion to make the final, independent decision in determining the variables to be used in the automated quote system. The registered options traders, however, are not required to give input on the variables to the specialist;

(ii) The obligation of registered options traders to make competitive markets does not preclude registered options traders and specialists from making a collective response to a request for a market provided the member representing such order requests such response and the size of the order is larger than the greater of the size communicated or disseminated pursuant to Rule 958A or the automatic matching and execution eligible size parameter. In addition, the specialist may unilaterally give a single bid (offer) in response to a request for a market and subsequently discuss with the registered options traders whether they wish to participate in contracts executed in accordance with that bid (offer). The allocation of contracts executed in accordance with this paragraph will be done in accordance with the Exchange Rule; and

(iii) In conjunction with their obligation as the responsible broker or dealer pursuant to Exchange Rule 958A—ANTE (a)(ii)(A) and Rule 11Ac1-1 under the Securities Exchange Act of 1934, specialists and registered options traders may on a voluntary basis collectively agree to the best bid, best offer and aggregate quotation size required to be communicated to the Exchange pursuant to paragraph (c)(i) of Rule 958A—ANTE.

**● ● ● Commentary**

.01 (a) A registered options trader electing to engage in Exchange options transactions is designated as a Specialist on the Exchange for all purposes under the Securities Exchange Act of 1934 and the rules and regulations thereunder with respect to options transactions (i) initiated and effected by him on the Floor and through the facilities of the Exchange in his capacity as a registered options trader; and (ii) initiated from off the floor by him when he elects to receive registered options trader treatment for off-floor orders and thereby becomes subject to the 80% in person requirement described in paragraph (g) of this Rule and to the requirement that 75% of the registered options traders activity (measured in terms of contract volume) be in the registered options trader's assigned classes. The off-floor orders for which the registered options trader receives registered options trader treatment shall be subject to the obligations of Rule 958—ANTE and shall be effected only for the purpose of hedging, reducing risk of, rebalancing or liquidating options positions of the registered options trader.

(b) For purposes of this rule and commentary, the term "on the floor" is defined as the area or areas designated by the Exchange as the place or places for the trading of stocks, bonds, options or other securities.

.02 The Exchange has determined that the limitations of paragraph (c)(ii) of this Rule should not be carried over from one day to the next, and therefore are not applicable to the opening of option contracts on the Exchange.

.03 The Exchange has determined for purposes of paragraph (a) of this Rule that, except for unusual circumstances at least 50% of the trading activity in any quarter (measured in terms of contract volume) of a registered options trader shall ordinarily be in classes to which he is assigned. Temporarily undertaking the obligations of paragraph (c) at the request of a Floor Official in non-assigned classes of options shall not be deemed trading in non-assigned option contracts. The Exchange may, in computing the percentage specified herein, assign a weighting factor based upon relative inactivity to one or more classes or series of option contracts. Registered options traders receiving registered options trader treatment for off-floor orders in accordance with Commentary .01 of this Rule, must have at least 75% of their trading activity (measured in terms of contract volume) in the classes of options in which they are assigned.

.04 The obligations of a registered options trader with respect to those classes of options to which he is assigned shall take precedence over his other registered options trader activities.

.05 The Exchange will assign registered options traders to act in one or more classes of option contracts. Each registered option trader shall submit to the Exchange in writing an application for assignment in one or more option classes. In making such assignments, the Exchange shall give attention to (a) the preference of applicants; (b) assuring that financial resources available to a registered options trader enable him to satisfy the obligations set forth in Rule 958 with respect to each class of option contracts to which he is assigned; (c) the applicant's expertise in option trading; (d) the applicant's prior market performance; and (e)

the impact of the number of registered options traders assigned in an option class or classes on the Exchange's quotation system capacity. The Exchange may suspend or terminate any assignment of a registered options trader under this Rule and may make additional assignments whenever, in the Exchange's judgment, the interests of a fair and orderly market are best served by such action. During the first six months that an option class is on the ANTE System, a registered options trader applying for an assignment in that option class shall be guaranteed an assignment in such class provided for at least the immediately preceding calendar year the registered options trader (i) been a member of the Exchange; (ii) has maintained a continuous presence as a registered options trader in such option class; and (iii) and has met the requirements set forth above.

.06 Rule 111 as modified by Rule 950(c) also applies to Exchange option transactions effected by registered options traders.

.07 A Floor Broker representing a customer's order in an option class, that is singly listed on the Exchange, shall, prior to executing such order, ascertain that at least one registered options trader (who has elected to engage in Exchange option transactions) is present in the trading crowd at the post when such order is executed.

.08 The maximum permissible bid/ask differentials set forth in subparagraph (ii) of paragraph (c) of Rule 958 in respect of Treasury bill and Treasury note options shall apply to "large" sized option contracts, covering \$1,000,000 underlying principal amount in the case of options on 13-week Treasury bills and \$100,000 underlying principal amount in the case of options on Treasury notes. A registered options trader shall be deemed to be in compliance with these requirements with respect to his quotations for the smaller sized 13-week Treasury bill and Treasury note option contracts (covering \$200,000 and \$20,000 underlying principal

amount, respectively), if those quotations meet the requirements of Commentaries .01 and .02, respectively, under Rule 951; i.e., no wider than .01 less on the bid and .01 more on the offer than the quotation for the corresponding larger sized contract, in the case of a 13-week Treasury bill option, and no wider than 1/32 less on the bid and 1/32 more on the offer than the quotation for the corresponding larger sized contract, in the case of a Treasury note option.

.09 Transactions on the Floor and through the facilities of the Exchange in index warrants, currency warrants, securities listed pursuant to Section 107 of the Company Guide ("Other Securities"), and Trust Issued Receipts listed pursuant to Rules 1200 et seq. which are otherwise traded under the Exchange's equity trading rules, shall be effected in accordance with the provisions of this rule, and shall only be effected by registered options traders who are regular members. Transactions by registered options traders on the Floor in derivative products (as defined in Article I, Section 3(d) of the Exchange Constitution) which are otherwise traded under the Exchange's equity trading rules, shall be effected in accordance with the provisions of this rule. In addition, Rule 111, Commentary .01 shall not apply to such transactions. (See Rule 111, Commentary .12, and Rule 114, Commentary .14.)

\* \* \* \* \*

**Rule 958A—ANTE**                      **Application of the Firm Quote Rule**

(a) Definitions--(i) For purposes of this rule the terms "aggregate quotation size", "best bid and best offer", "bid and offer", "quotation size", "quotation vendor", "reported security", "listed option", "option class", "option series" and "trading rotation" shall have the meanings set forth in SEC Rule 11Ac1-1.

(ii) For purposes of this rule and SEC Rule 11Ac1-1 as applied to the Exchange and its members, the term "responsible broker or dealer" shall mean, with respect to any bid or offer for any listed option made available by the Exchange to quotation vendors, either:

(A) the specialist and any registered options traders voluntarily joining the specialist's quote constituting the trading crowd in such option series shall collectively be the responsible broker or dealer to the extent of the aggregate quotation size specified. In conjunction with their obligation as the responsible broker or dealer, specialists and registered options traders may on a voluntary basis collectively agree to the best bid, best offer and aggregate quotation size required to be communicated to the Exchange pursuant to paragraph (c)(i) of this rule; or

(B) any registered options traders inputting their own quotes, either manually on a series-by-series basis or through the use of an Exchange provided or proprietary automated quote calculation system, shall each be considered a responsible broker or dealer for their bids or offers to the extent of their quotation size.

The allocation of contracts executed in accordance with this rule will be done pursuant to the Exchange Rule 935—ANTE and rule 950—ANTE (l), Commentary .03.

(b) Dissemination Requirements of the Exchange--(i) with respect to paragraph (b) of SEC Rule 11Ac1-1, the Exchange shall, at all times it is open for trading, (A) collect, process and make available to quotation vendors the best bid, the best offer, quotation sizes and aggregate quotation sizes associated therewith for each option series that is a reported security and for which a responsible broker or dealer is obligated to execute any customer order as set forth in

paragraph (c)(i)(A) below; and (B) shall for each listed option class, establish and periodically publish the quotation size for which the responsible broker or dealer is obligated to execute an order for the account of a U.S. registered or foreign registered broker or dealer to buy or sell an option series that is a reported security at its published bid or offer as set forth in paragraph (c)(i)(B) below. The Exchange may collect, process and make available to quotation vendors a best bid or best offer determined by an automated quotation system.

(ii) The Exchange's obligation to collect, process and make available data as set forth above shall not include (A) collecting, processing or making available any such bid or offer which is executed immediately after being made in the crowd and any such bid or offer which is cancelled or withdrawn if not executed immediately after being made; or (B) data communicated during any period when trading in such reported security has been suspended or halted; prior to the commencement of trading in such reported security on any trading day; or during a trading rotation.

(c) Obligations of a Responsible Broker or Dealer--(i) Pursuant to SEC Rule 11Ac1-1 each responsible broker or dealer for each series of each listed option class shall promptly communicate to the Exchange its best bid, best offer, quotation size and aggregate quotation size. No responsible broker or dealer shall communicate a quotation size or aggregate quotation size for less than ten contracts with the exception that the size of customer limit orders representing the best bid or offer may be disseminated at less than ten (10) contracts, even though the responsible broker or dealer continues to have the obligation to quote a ten contract minimum. This obligation may be fulfilled by the use of an automated quotation system.

(A) Subject to the provisions of paragraph (d) of this rule, each responsible broker or dealer shall be obligated to execute any customer order in an option series in an amount up to its published quotation size.

(B) Subject to the provisions of paragraph (d) of this rule, each responsible broker or dealer shall be obligated to execute any order for the account of a U.S. registered or foreign broker or dealer in a listed option in an amount up to the quotation size established and periodically published by the Exchange which quotation size shall be for at least one contract.

(C) Subject to the provisions of paragraph (d) of this Rule, each responsible broker or dealer shall comply with the Thirty Second Response provisions set forth in paragraph (d)(3) of SEC Rule 11Ac1-1.

(ii) No responsible broker or dealer shall be obligated to execute a transaction for any listed option as provided in paragraph (c)(i) when:

(A)(1) Prior to the presentation of an order to sell (buy), a responsible broker or dealer has communicated to the exchange, a revised quotation size;

(2) At the time an order to sell (buy) is presented, a responsible broker or dealer is in the process of effecting a transaction in such series of option, and immediately after the completion of such transaction it communicates to the Exchange a revised quotation size, such responsible broker or dealer shall not be obligated by paragraph (c)(i) if this Rule to sell (buy) that option in an amount greater than such revised quotation size;

(3) Before the order sought to be executed is presented, a responsible broker or dealer has communicated to the Exchange a revised bid or offer; or

(4) At the time the order sought to be executed is presented, a responsible broker or dealer is in the process of effecting a transaction in such series of option, and, immediately after the

completion of such transaction, a responsible broker or dealer communicates to the exchange a revised bid or offer; provided, however, that the responsible broker or dealer shall nonetheless be obligated to execute any such order as provided in paragraph (c)(i) at its revised bid or offer in any amount up to its published quotation size or revised quotation size; or

(B) The order for the purchase or sale of a listed option is presented during a trading rotation in that listed option.

(d) Use of Unusual Market Exception--Notwithstanding paragraphs (b) and (c) above and pursuant to paragraph (b)(3) of SEC Rule 11Ac1-1, if the Exchange determines, in accordance with the procedures set forth below, that the level of trading activity or the existence of unusual market conditions is such that the Exchange is incapable of collecting, processing and making available quotation data in a manner which accurately reflects the current state of the market at the Exchange, it shall immediately notify the persons specified in paragraph (b)(3) of SEC Rule 11Ac1-1 and, upon such notification, the obligation imposed upon Exchange members under paragraph (c)(2) of SEC Rule 11Ac1-1 and the Exchange under paragraphs (b)(1) and (2) of SEC Rule 11Ac1-1 shall be suspended, until a determination by the Exchange that the unusual market activity or condition has terminated and the specified persons have been notified that the unusual market activity or condition has terminated:

(i) If a responsible broker or dealer is unable to update his quotations on a timely basis due to the high level of trading activity or the existence of an unusual market condition, he shall promptly notify a Floor Official.

(ii) Upon notification by a responsible broker or dealer, the Floor Official shall promptly verify the existence of the unusual market activity or condition and if, in his judgment, the responsible broker or dealer is unable to update his quotations on a timely basis, the Floor

Official shall promptly notify the Market Operations Division of the Exchange. If a Floor Official, independent of notification by a responsible broker or dealer, becomes aware of any unusual market activity or condition which adversely affects a responsible broker or dealer's ability to promptly communicate quotation data, he shall likewise promptly advise the Market Operations Division.

(iii) If the Exchange is unable to accurately collect, process, and/or disseminate quotation data owing to the high level of trading activity or the existence of unusual market conditions, the Market Operations Division of the Exchange, after consultation with a Floor Official, shall make a determination that this is the case.

(iv) The Market Operations Division, after receiving notification from a Floor Official pursuant to either subparagraphs (i) and (iii) above, shall notify the persons specified in paragraph (b)(3) of SEC Rule 11Ac1-1 regarding the Exchange's inability to accurately collect, process, and make available the quotation data required by SEC Rule 11Ac1-1. The Exchange shall append to each quotation made available to a quotation vendor an identifier which will indicate that the obligation imposed upon Exchange members and the Exchange by SEC Rule 11Ac1-1 has been suspended.

(v) The Floor Official or the Market Operations Division (as the case may be) shall monitor the unusual market activity or condition until it has terminated. Thereupon, the Market Operations Division shall immediately notify the persons specified in paragraph (b)(3) of SEC Rule 11Ac1-1 that the Exchange is once again capable of disseminating the quotation data required by Rule SEC 11Ac1-1 and responsible brokers or dealers shall be once again obligated under SEC Rule 11Ac1-1 as made applicable to Exchange members pursuant to this Rule 958A—ANTE.

● ● ● Commentary

.01 No specialist or registered options trader shall be deemed to be a responsible broker or dealer with respect to a published bid or offer that is erroneous as a result of an error or omission made by the Exchange or any quotation vendor. If a published bid or published offer is accurate but the published quotation size (or published aggregate quotation size, as the case may be) associated with it is erroneous as a result of an error or omission made by the Exchange or any quotation vendor, then the specialist and registered options traders responsible for the published bid or published offer shall be obligated as set forth in paragraph (c) of Rule 11Ac1-1 but only to the extent of ten contracts or in cases where the best bid or offer is represented by a customer order the actual size of such order(s) if less than ten contracts.

.02 Absent unusual market conditions, the responsible broker or dealer shall honor any bid or offer then being displayed by quotation vendors which is erroneous, up to the quotation size then being so displayed, which has been displayed for six minutes or more. Provided, however, that the responsible broker or dealer shall not be required to honor such a bid or offer which is erroneous as to either price or size or both if:

(i) as a matter of record, an execution, cancellation or update of such bid or offer was in effect or in process;

(ii) in honoring such a bid or offer, the resulting transaction would violate applicable Exchange rules or federal regulations;

(iii) equipment failure prevents the specialist from monitoring such bid or offer; or

(iv) the price sought upon such quotation is above the current bid or below the current offer, on the Floor, by (a) \$.25 or more in the case of a reported security trading at \$3 or less or (b) \$.50 or more in the case of a reported security trading at more than \$3.