

Additions underlined  
 Deletions [bracketed]

## NYSE MKT Rules

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### General and Floor Rules

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### Trading of Option Contracts

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### Section 900NY. Rules Principally Applicable to Trading of Option Contracts

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#### Rule 927.3NY. Reserved. [Limitations on Dealings of Specialists

(a) No ATP Holder, other than a Specialist acting pursuant to Rule 927NY, limited partner, officer, employee, approved person, or party approved, who is affiliated with a Specialist or ATP Holder, shall, during the period of such affiliation, purchase or sell any option in which such Specialist is appointed for any account in which such person or party has a direct or indirect interest. Any such person or party may, however, reduce or liquidate an existing position in an option in which such Specialist is appointed provided that such orders are (i) identified as being for an account in which such person or party has a direct or indirect interest; (ii) approved for execution by a Trading Official; and (iii) executed by the Specialist in a manner reasonably calculated to contribute to the maintenance of price continuity with reasonable depth. No order entered pursuant to this Subsection (a) shall be given priority over, or parity with, any order represented in the market at the same price.

(b) Notwithstanding the provisions of Rule 927NY, an approved person or ATP Holder that is affiliated with a Specialist shall not be subject to Rule 927.3NY(a), provided it has obtained Exchange approval of procedures restricting the flow of material non-public corporate or market information between itself and the Specialist and any ATP Holder, officer, or employee associated therewith.

(c) For such ATP Holder that controls, is controlled by, or is under common control with another organization, the exemption provided in Subsection (b) of Rule 927.3NY shall be available to it only where the Exchange has determined that the relationship between the Specialist, each person associated therewith, and such other organization satisfies all the conditions specified in the Exemption Guidelines.

(d) The procedures referred to in Subsection (b) of Rule 927.3NY shall comply with such guidelines as are promulgated by the Exchange.

#### Exemption Guidelines

(e) The following restrictions apply to an ATP Holder that is affiliated with a Specialist:

It may not purchase or sell for any account in which it has a direct or indirect interest in any security in which its affiliate is a Specialist.

It may not engage in any business transaction with the issuer of a security or its insiders in which its affiliate is a Specialist.

The ATP Holder may not accept orders directly from the issuer, its insiders or certain designated parties in securities in which its affiliate is a Specialist.

This Subsection provides a means by which an affiliated firm doing business with the public (hereafter "ATP Holder") may obtain an exemption from the restrictions discussed above. This exemption is only available to an ATP Holder that obtains prior Exchange approval for procedures restricting the flow of material non-public information between it and its affiliated Specialist, (i.e., information barrier procedures). This Subsection sets forth the steps an ATP Holder must undertake, at a minimum, to seek to qualify for exemptive relief. Any firm that does not obtain Exchange approval for its procedures in accordance with these Guidelines shall remain subject to the restrictions set forth above.

(f) These Guidelines require that an affiliated ATP Holder establish procedures that are sufficient to restrict the flow of information between itself and the Specialist. Generally, an affiliated ATP Holder seeking an exemption from the rules discussed in Subsection (a) above should establish its operational structure along the lines discussed below.

(i) The affiliated ATP Holder and the Specialist must be established as separate and distinct organizations. At a minimum, the two organizations must maintain separate and distinct books, records and accounts, and satisfy separately all applicable financial and capital requirements. While the Exchange will permit the affiliated ATP Holder and the Specialist to be under common management, in no instance may persons associated with an ATP Holder exercise influence over or control the Specialist's conduct with respect to particular securities or vice versa. Any general managerial oversight must not conflict with or compromise in any way the Specialist's market making responsibilities pursuant to the Rules of the Exchange.

(ii) The affiliated ATP Holder and the Specialist must establish procedures designed to prevent the use of material non-public corporate or market information in the possession of the affiliated ATP Holder to influence the Specialist's conduct and avoid the misuse of Specialist market information to influence the affiliated ATP Holder. Specifically, the affiliated ATP Holder and

the Specialist organization must ensure that material non-public corporate information relating to trading positions taken by the affiliated ATP Holder in a Specialist security are not made available to the Specialist, or to any ATP Holder, partner, director or employee thereof, by a Specialist while in possession of non-public corporate information derived by the affiliated ATP Holder from any transaction or relationship with the issuer or any other person in possession of such information; that advantage is not taken of knowledge of pending transactions or the ATP Holder's recommendations; and that all information pertaining to positions taken or to be taken by the Specialist in a Specialist security is kept confidential and is not made available to the affiliated ATP Holder.

(g) An affiliated ATP Holder seeking exemption shall submit to the Exchange a written statement that shall set forth the following:

(i) The manner in which it intends to satisfy each of the conditions stated in Subsections (f)(i) and (f)(ii) of these Guidelines, and the compliance and audit procedures it proposes to implement to ensure that the functional separation is maintained;

(ii) The designation and identification of the individual(s) within the affiliated ATP Holder responsible for maintenance and surveillance of such procedures;

(iii) That the Specialist may make available to a broker affiliated with it only the sort of market information that it would make available in the normal course of its Specialist activity to any other broker and in the same manner that it would make information available to any other broker; and that the Specialist may only make such information available to a broker affiliated with the ATP Holder pursuant to a request by such broker for such information and may not, on its own initiative, provide such broker with such information;

(iv) That where it issues a recommendation in a security in which it acts as Specialist it must disclose that an associated Specialist makes a market in the security, may have a position in the security, and may be on the opposite side of public orders executed on the Floor of the Exchange in the security, and the firm will notify the Exchange immediately after the issuance of a research report or written recommendation;

(v) That it will file with the Exchange such information and reports as the Exchange may, from time to time, require relating to its transactions in a specialty security;

(vi) That it will take appropriate remedial action against any person violating these Guidelines and/or its internal compliance and audit procedures adopted pursuant to Subsection (g)(i) of these Guidelines, and that it and its associated Specialist each recognizes that the Exchange may take appropriate remedial

action, including (without limitation) reallocation of securities in which it serves as Specialist and/or revocation of the exemption, in the event of such a violation;

(vii) Whether the firm intends to clear proprietary trades of the Specialist and, if so, the procedures established to ensure that information with respect to such clearing activities will not be used to compromise the firm's Information Barrier procedures (the procedures followed shall, at a minimum, be the same as those used by the firm to clear for unaffiliated third parties); and

(viii) That no individual associated with it may trade as a market maker in any security in which the associated Specialist has an appointment.

(h) Subsection (f) of these Exemption Guidelines requires the establishment of procedures designed to prohibit the flow of certain market sensitive information from an ATP Holder to its affiliate Specialist or to any ATP Holder, partner, director or employee thereof. In the event that, notwithstanding these procedures, any Specialist becomes aware of the fact that he has received any such information relating to any of his Specialist securities from his organization's affiliated ATP Holder, the Specialist shall promptly communicate that fact and disclose the information so received to the person in the affiliated member firm responsible for compliance with securities laws and regulations (the compliance officer) and shall seek a determination from the compliance officer as to whether he should, as a consequence of his receipt of such information, give up the appointment in the option class involved. If the compliance officer determines that the Specialist should give up the Specialist appointment, the Specialist shall, at a minimum, give it up to another ATP Holder who is registered as Specialist in the security and who is not in possession of the information so received. In any such event, the compliance officer shall determine when it is appropriate for the Specialist to recover the Specialist security and recommence acting as Specialist in the Specialist security involved. Procedures shall be established by the affiliated member firm to assure that in any instance when the compliance officer determines that a Specialist should give up the appointment, such transfer is effected in a manner which will prevent the market sensitive information from being disclosed to the temporary Specialist.

The compliance officer shall keep a written record of each request received from an Specialist for a determination as referred to above. Such record shall be adequate to record the pertinent facts and shall include, at a minimum, the identification of the security, the date, a description of the information received by the Specialist, the determination made by the compliance officer and the basis therefore. If the appointment is given up, the record shall also set forth the time at which the Specialist reacquired the appointment and the basis upon which the compliance officer determined that such reacquisition was appropriate. The Exchange shall be given prompt notice of any instance when the compliance officer determines that the Specialist should give up the appointment and also of the determination that such Specialist should be permitted to reacquire the appointment. In accordance with such schedules as the Exchange shall from time to time prescribe (at least monthly), the written record of all requests received by the compliance officer from the affiliated Specialist for a determination as referred to above

shall be furnished to the Exchange for its review. ATP Holders are cautioned that any trading by any person while in possession of material, non-public information received as a result of any breach of the internal controls required by the Guidelines may have violated Rule 10b-5, Rule 14e-3, just and equitable principles of trade or one or more other provisions of the Exchange Act, or regulations thereunder or rules of the Exchange. The Exchange shall review any such trading of which it becomes aware to determine whether any such violation has occurred.

(i) Subsection (g)(vii) of these Guidelines permits an ATP Holder to clear the Specialist transactions of its affiliated Specialist provided it establishes procedures to ensure that information with respect to such clearing activities will not be used to compromise the firm's information barrier procedures. Such procedures should provide that any information pertaining to security positions and trading activities of the Specialist, and information derived from any clearing and margin financing arrangements between the affiliated ATP Holder and the Specialist, may be made available only to those (other than employees actually performing clearing and margin financing functions) in senior management positions in the affiliated ATP Holder who are involved in exercising general managerial oversight over the Specialist. Generally, such information may be made available only to the affiliated ATP Holder's chief executive officer, chief operations officer, chief financial officer, and senior officer responsible for managerial oversight of the Specialist, and only for the purpose of exercising permitted managerial oversight. Such information may not be made available to anyone actually engaged in making day-to-day trading decisions for the affiliated member firm, or in making recommendations to the customers or potential customers of the affiliated member firm. Any margin financing arrangements must be sufficiently flexible so as not to limit the ability of any Specialist to meet market making or other obligations under Exchange Rules.

(j) The written statement required by Subsection (g) of these Exemption Guidelines shall detail the internal controls that both the affiliated ATP Holder and the Specialist intend to adopt to satisfy each of the conditions stated in Subsections (g)(i) through (g)(viii) of these Guidelines, and the compliance and the audit procedures they propose to implement to ensure that the internal controls are maintained. If the Exchange determines that the organizational structure and the compliance and audit procedures proposed by the ATP Holder and its affiliated Specialist are acceptable under the Guidelines, the Exchange shall so inform the ATP Holder and its affiliated Specialist, in writing, at which point an exemption shall be granted. Absent such prior written approval, an exemption shall not be made available. The written statement should identify the individuals in senior management positions (and their titles/levels of responsibility) of the affiliated ATP Holder to whom information concerning the Specialist trading activities and security positions, and information concerning clearing and margin financing arrangements, is to be made available, the purpose for which it is to be made available, the frequency with which the information is to be made available, and the format in which the information is to be made available. If any partner, director, officer, or employee of the affiliated ATP Holder intends to serve in any such capacity with the Specialist, or vice versa, the written statement must include a statement of the duties of the particular individual, at both

entities, and why it is necessary for such individual to be a partner, director, officer or employee of both entities. The Exchange may grant approval for service at both entities only if the dual affiliation is for overall management control purposes or for administrative and support purposes. Dual affiliation will not be permitted for an individual who intends to be active in the day-to-day business operations of both entities. Nothing in the foregoing, however, shall preclude an employee of one entity who performs strictly administrative or support functions (such as facilities, accounting, data processing, personnel and similar types of services) from performing similar functions on behalf of the other entity, provided that such individual is clearly identified, and the functions performed on behalf of each entity are specified, in the written statement described above, and all requirements in Subsection (f) above as to maintaining the confidentiality of information are met.]

### **Rule 927.5NY. e-Specialist Obligations**

Each e-Specialist shall fulfill all of the obligations of a Market-Maker and of a Specialist under the Rules and shall satisfy each of the following requirements:

- (a) meet the quoting obligations of Rule 925NY and 925.1NY(b);
- (b) assure that its market quotations are accurate;
- (c) continue to act as an e-Specialist and to fulfill all of the e-Specialist's obligations as an e-Specialist until the Exchange relieves the e-Specialist of its approval and obligations to act as an e-Specialist;
- (d) make competitive markets on the Exchange and otherwise to promote the Exchange in a manner that is likely to enhance the ability of the Exchange to compete successfully for order flow in the classes it trades;
- (e) immediately notify the Exchange of any material operational or financial changes to the e-Specialist organization as well as obtain the Exchange's approval prior to effecting changes to the ownership, capital structure, voting authority, distribution of profits/losses, or control of the e-Specialist organization;
- [(f) maintain information barriers that are reasonably designed to prevent the misuse of material, non-public information with any affiliates that may conduct a brokerage business in option classes allocated to the e-Specialist or act as specialist or Market-Maker in any security underlying options allocated to the e-Specialist, and otherwise comply with the requirements of Rule 3(j) and 3(l) regarding the misuse of material non-public information.]

### **Rule 927.6NY. Review of e-Specialist Operations and Performance**

[(a) Review.] The Exchange may conduct a review of an e-Specialist's operations or performance at any time. Such review may include an evaluation of the extent to which the e-Specialist has satisfied its obligations under Rule 927.5NY. An e-Specialist shall submit to the Exchange such information requested by the Exchange in connection with a review of the e-Specialist 's operations or performance on the Exchange.

[(b) Termination and Other Limitations. The Exchange may terminate, place conditions upon, or otherwise limit a member organization's approval to act as an e-Specialist on the same basis that Specialist privileges may be terminated and/or conditioned under Rule 927.3NY. If a member organization's approval to act as an e-Specialist is terminated, conditioned, or otherwise limited by the Exchange pursuant to this Rule, the member organization may seek review of that decision under Section 9A.]